MANAGING FINANCIAL REPORTING DELAYS DUE TO COVID-19

Huron has outlined recommendations to help grantee institutions capitalize on the research and reporting flexibilities provided by sponsoring agencies while managing the increased risk inherent in operational delays.

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and Budget (OMB) issued memorandum M-20-26 on June 18, 2020, and some of the previously allowable flexibilities were rescinded, have expired or are no longer applicable.

Delayed Federal Financial Reports (FFRs)

How should institutions manage the impact and properly communicate with sponsors when financial report submissions will be delayed?

Recommendation: Submitting FFRs after the standard or original due date because of the operational impacts of COVID-19 is generally allowable, but institutions should be aware that any late financial reports will likely result in funding delays for any subsequent award period (both competitive and noncompetitive). Institutions can begin incurring costs on anticipated additional funding segments, but this spending should be considered "at risk,". The new funding will not be available to reimburse costs incurred until the FFRs are submitted and new segments released. Huron is monitoring the ever-changing sponsor guidance and outlining requirements for institutions to follow (Huron's Agency Response to OMB Guidance).

Huron recommends institutions proactively manage potential delays in financial reporting, first by identifying and monitoring the status and financial reporting readiness of all awards with approaching financial reporting deadlines. Ideally, institutions should submit reports by the original deadline. On a report-by-report basis, coordinate with your investigators and their administrative support to determine the status of sponsored spending and whether the financial report can be submitted on time. If not, most federal sponsors require institutions provide notification of the submission delay.

To proactively plan for the likelihood of delayed financial reports, Huron recommends institutions take the following action:

- Review COVID-19 guidance released by individual sponsors for those awards likely to require a financial reporting extension.

- Develop a standard "justification" questionnaire to be completed by the principal investigator (PI) or local administrative support. Use the form to capture and document when the project is expected to be completed and what specific components of research are directly or indirectly impacted by COVID-19.

- Standardize a communication template (formal letter) to sponsoring agencies providing notification of delayed financial reports due to the impacts of COVID-19, including baseline language to communicate the justification for the reporting extension and when the institution expects to submit the FFR(s).

    - An overarching institutional notification should be sent to the sponsor agency outlining the expected delays and operational impacts resulting from COVID-19, including when these delays are expected to subside.

    - Individual notifications (based on standard templates) should be issued to individual awarding institutes or centers (IC), including a list of all awards requiring (or anticipated to require) an extension. To avoid multiple communications, it is encouraged to send a consolidated list of awards that require an extension in a single communication per funding IC.

        - Generally, sponsors have noted that they will accept late FFRs with notification, as opposed to

"approval." Consequently, institutions should not necessarily look to receive a confirmation of the extension from the sponsor. Institutions should refer to the sponsor-specific guidelines to confirm no follow-up or formal approval is needed.

- Designate a single point of contact in the central post-award office (management level) to draft, issue and manage all extension requests.

- Once it is confirmed that a given report will require an extension, update institutional milestones in the appropriate tracking systems with an updated due date and include detailed notes or attachments (such as the PI-completed form). If an updated due date is not yet understood, develop a conservative estimate to prompt a follow-up and reevaluation of the anticipated due date (such as four to six weeks after the original due date).

- Retain any communications from the sponsoring agency, such as documentation of approval, as part of the formal award documentation and in alignment with sponsor and institutional record retention requirements.

- Continue to monitor upcoming FFR due dates to identify if additional extensions may be required. Generally, sponsors state that financial reports will be accepted when the institution is able to submit. Therefore, no ongoing follow-up is necessary for awards that have already issued notification of the reporting delay to the sponsor.

Example Scenario: Due to the additional complexities of remote work resulting from COVID-19, the research administration team has had issues accessing information and preparing financial reports remotely. This has resulted in an anticipated delay for submitting several upcoming federal financial reports. After creating an inventory of awards with FFRs due in the next 90 days, the post-award administrator requested the PI or local administrator complete the justification questionnaire and identified specific awards requiring an FFR extension.

The post-award administrator completed the standard communication template developed by the institution, updated notes in the milestone tracker and sent the completed standard communication template to the director of post-award for the institution. The director then sent the communication to both the sponsoring agency and the funding center, notifying them of the delayed submission and outlining the extenuating circumstances and the expected submission date.

Though the director of post-award did not hear back from the sponsor, the request was documented in the award record, and the post-award administrator will submit the FFR as soon as they are able to gather the needed information.

Significant Delays in Research (Greater Than Three Months)

What approach should my institution take to identify, manage and communicate significant delays in research progress to sponsors?

Recommendation: Federal sponsors have acknowledged the possibility of significant delays in programmatic research progress and have asked that institutions communicate with the sponsor's program manager to provide details on the impact to research projects resulting from COVID-19. Further, sponsors have clarified the responsibility of institutions to internally document the specific impacts of COVID-19 on the research project, including the length of the interruption to operations.

Huron recommends that institutions issue proactive communication to avoid financial losses and future funding delays. To start, coordinate between research administrators and principal investigators to identify all active awards that may experience significant research delays. Awards experiencing delays greater than three months should be systematically flagged (e.g., via a new flag in the financial system), and the cause of the delay and current plan to complete the research should be formally documented as part of the award file or record. In cases of these extreme delays, institutions, represented by the appropriate institutional official (as opposed to the PI), should proactively communicate with the sponsor program manager, notifying them of the COVID-19 impacts on the project.

Below are examples and tools that should be developed to identify, track and communicate research project delays to the sponsor:

- **Internal communication:** Existing internal communication mechanisms, such as group emails, newsletters and

websites, should be leveraged to request that all active PIs review their active portfolio and identify possible research delays. Guidance should also be published on any designated COVID-19 response website or announcement board. If significant delays are likely, provide direction for PIs to communicate the anticipated research project delay to central grant administration with clear details on the appropriate point of contact and information requested. To further facilitate the communication, institutions can develop a smart form that the PI or local grant administrator can complete and route directly to central grant administration. All communication, including completed smart forms, should be saved as part of the award record.

- **Sponsor communication:** As stated in the previous section, standard formal communication templates should be developed to alert sponsors when significant research delays are identified or anticipated. Because the issues are likely to be institutionwide and consistent (to an extent), grant administration leadership can develop template language outlining the operational impacts resulting from COVID-19. This standard language can then be augmented and updated with specific details of the impacts of COVID-19 on the specific research project, including details on expected timing to resume operations and the overall impact to the research project. Considering the impact of delays lasting more than three months on the scope and programmatic progress, sponsor notifications on this front should generally be on an award-by-award basis. All communications should be saved in the award file for future reference.

- **Tracking**: All sponsored awards identified as having significant research delays due to COVID-19 should be centrally tracked and monitored by research administration to manage the financial and programmatic risks associated with impacts to project scope. Tracking impacted awards, and associated details, can be enabled by a database (Excel, Access) or other platforms such as Teams or SharePoint. Regardless of the tool used, institutions should centrally track the communication timeline (date the central administrator received notification, date the sponsor was notified) and any subsequent communication details and commitments on how to manage the delay or impact. Additionally, spending on awards that are experiencing significant delays should be monitored and reviewed to ensure expenses are allowable during this delay.

For specific spending information, please refer to Huron's Salary and Nonsalary Point of View FAQ.

No-Cost Extensions (NCE) and Carry Forward

How should my institution approach and process no-cost extensions and carryforward due to COVID-19?

Recommendation: Awards with expanded authorities are automatically eligible for no-cost extensions (NCEs) and/or carryforward within competitive segments. For awards that do not fall under expanded authorities, many sponsors have implemented flexibilities for institutions to automatically be eligible for NCEs and/or carryforward to lessen the impact on research projects due to COVID-19. As part of the COVID-19 flexibilities, federal granting agencies, including the National Science Foundation (NSF), National Institutes of Health (NIH), Department of Defense (DOD) and Department of Energy (DOE), provide institutions flexibilities to enter into a one-time no-cost extension (up to 12 months) without sponsor approval.

In general, institutions have mechanisms and processes in place to request NCEs and carryforward, and these same standard processes and procedures should continue to be followed in cases where the request is made due to the impacts of COVID-19. The slight variation is that the justification and request should also clearly state the justification for the request and the expected completion date. In cases where the NCE or carryforward is not automatic, institutions should define and follow proactive communication plans with program managers to confirm the date extension and/or approved carryforward.

Example Scenario for No-Cost Extension: A PI is in their final year of an NIH competitive segment of an award ending June 30, 2020, that does not qualify for expanded authorities. The award contains a large amount of unspent budget and incomplete progress since the lab and university were shut down as a result of the COVID-19 pandemic. To finish the research and continue utilizing the funds, the PI worked with the post-award administrator, outlining the NCE justification, number of months of the extension and the unobligated balance on the award. The post-award grant administrator then notified the funding sponsor, outlining the reason for the request and the expected completion date. As the COVID-19 flexibilities allowed for automatic NCEs for the NIH, the post-award grant administrator updates the dates in the financial system and independent trackers, and the research team continues the work as the university reopens.

Example Scenario for Carryforward: A PI was working on an NIH award (not under the Streamlined Non-Competing Award Process (SNAP)) and shifted duties to help provide research support on a recently granted COVID-19 award. In order to carry forward the unobligated balances from the original NIH award and continue the research, the PI worked with their post-award grant administrator to confirm sponsor approval of carryforward. This request outlined the justification for the carryforward and plan to complete the research.

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)