

***ACF-IM-20-03***  
***Coronavirus Disease 2019***  
***(COVID-19) Fiscal Flexibilities***



ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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## INFORMATION MEMORANDUM

**TO:** All Head Start and Early Head Start Agencies and Delegate Agencies

**SUBJECT:** Coronavirus Disease 2019 (COVID-19) Fiscal Flexibilities

### INFORMATION:

On March 30, 2020, the Administration for Children and Families (ACF) issued [IM-ACF-OA-2020-01 ACF Grant Flexibilities in Conducting Human Service Activities Related to or Affected by COVID-19](#). It provides guidance related to fiscal flexibilities and waivers affecting grant applications, no-cost extensions, allowable costs, extension of certain deadlines, procurement, prior approvals, indirect cost rates, and single audit submissions.

This Information Memorandum (IM) describes how the Office of Head Start (OHS) is implementing each item from the ACF Memorandum. Please note that some items are implemented by OHS as issued by ACF and others are implemented with noted program-specific guidance.

#### **1. Flexibility with System for Award Management (SAM) registration.** ([45 CFR §75.205](#); [2 CFR §200.205](#))

ACF is relaxing the requirement for active SAM registration at the time of application in order to expeditiously issue funding. However, Federal awarding agency review of risk posed by applicants at the time of award continues to apply. Current registrants in SAM with active registrations expiring before May 16, 2020, will be afforded a one-time extension of 60 days.

*OHS will accept applications from entities not having a SAM number. However, within 60 days of the date of application or by the date of award issuance, whichever is sooner, the awardee must have obtained a SAM number. This flexibility will apply to applications submitted and awards made through September 30, 2020 subject to adjustment at the discretion of OHS.*

## **2. Flexibility with application deadlines. ([45 CFR §75.202](#); [2 CFR §200.202](#))**

ACF is providing flexibility with regard to the submission of competing applications in response to specific announcements. As appropriate, ACF will post specific guidance on its websites and/or provide a point of contact for an Agency program official.

*There are currently no OHS-specific flexibilities with regard to application deadlines. Applicants should continue to submit them on their scheduled due dates. One-time applications, such as those needed to address facility health and safety concerns, will continue to be accepted for consideration. An applicant/grantee must contact their Regional Grants Management officer in the event it is unable to meet a scheduled due date.*

## **3. No-cost extensions on expiring awards. ([45 CFR §75.308](#); [2 CFR §200.308](#))**

To the extent permitted by law and at the respective Program Office's discretion, ACF will consider no-cost extension requests for awards active as of March 31, 2020, and scheduled to expire up to December 31, 2020, for a period of up to twelve (12) months. This will allow time for grantee/recipient assessments, resumption of individual projects, and a report on program progress and financial status to ACF staff. See Item 9 regarding financial, performance, and other reporting.

*Grantees with Head Start awards active as of March 31, 2020 and scheduled to end on or before December 31, 2020 may, at the discretion of OHS, receive a no-cost extension of the project period of their award for up to 12 months, inclusive of any previous extensions. Grantees with awards active during the designated period of March 31, 2020 through December 31, 2020 who require no-cost extensions should submit their extension request to the Regional Grants Management officer as soon as possible to allow time for processing and issuance of a revised notice of award.*

*OHS will address on a case-by-case basis the need for no-cost extensions for project periods to transition program services and assets, including real property, to a replacement grantee designated as a successor to some or all of a grantee's service area because of a designation renewal system competition, OHS de-funding, or grantee relinquishment of an award.*

## **4. Abbreviated non-competitive continuation requests. ([45 CFR §75.308](#); [2 CFR §200.308](#))**

For continuation requests scheduled to come in from April 1, 2020 to December 31, 2020, from projects with planned future support, ACF will accept a brief statement from grantees/recipients to verify that they are in a position to: 1) resume or restore their project activities; and 2) accept a planned continuation award. ACF will post any specific instructions on our website at <https://www.acf.hhs.gov/coronavirus>. ACF will examine the need to extend this approach on subsequent continuation award start dates as grantees/recipients have an opportunity to assess their situations.

*OHS is accepting abbreviated narrative information in support of continuation applications due between April 1 and December 31, 2020. A grantee submitting an application for a non-competitive continuation award during the noted period must complete the budget and schedule tables within the Head Start Enterprise System (HSES), and submit only a budget justification (Section II) for the Application and Budget Justification Narrative document. Applicants must also complete any other applicable tabs in HSES, with supporting documents. [Previously published guidance](#) around non-federal match waiver requests and governing body and Policy Council approvals is also applicable to continuation applications. Submission of the noted information indicates the applicant's intent to resume or restore their project activities and accept the continuation award once issued.*

**5. Allowability of salaries and other project activities.** ([45 CFR §75.403](#), [45 CFR §75.404](#), [45 CFR §75.405](#), [45 CFR §75.430](#), [45 CFR §75.431](#), [45 CFR Part 75 Subpart E – Cost Principles](#); [2 CFR §200.403](#), [2 CFR §200.404](#), [2 CFR §200.405](#), [2 CFR §200.430](#), [2 CFR §200.431](#), [2 CFR Part 200 Subpart E – Cost Principles](#))

To the extent permitted by law, ACF will allow grantees/recipients to continue to charge salaries and benefits to their currently active awards consistent with the grantees'/recipients' policy of paying salaries (under unexpected or extraordinary circumstances) from all funding sources, Federal and non-Federal. Grantees/recipients will be permitted to amend/create emergency policies in order to put emergency contingencies in place. ACF will allow other allowable costs (e.g., program-related, allocable, reasonable) that are necessary to resume activities supported by the award to be charged to their awards, consistent with applicable Federal cost principles and the benefit to the project. ACF will evaluate the grantee's/recipient'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/recipient. ACF will require grantees/recipients to maintain appropriate records and cost documentation as required by [45 CFR §75.302](#) ([2 CFR §200.302](#)) (financial management) and [45 CFR §75.361](#) ([2 CFR §200.333](#)) (record retention), to substantiate the charging of any salaries and other project activities costs related to interruption of operations or services. Grantees/Recipients are prohibited from using grant funds for costs that are reimbursed or compensated by other federal or state programs that provide for such benefits, including but not limited to the Small Business Administration's Paycheck Protection Program, the \$100 billion in the Public Health and Social Services Emergency Fund, or unemployment compensation.

*OHS has previously issued guidance related to ongoing payment of salary and benefits to employees during the COVID-19 outbreak and related center closures. Review:*

- [COVID-19: Staff Wages and Benefits](#)
- [Update to Wages and Benefits Flexibility During the COVID-19 Pandemic](#)
- [Responding to Head Start Grantee Questions on COVID-19](#)

*In summary, OHS has directed grantees to continue to pay regularly scheduled wages and benefits to employees unable to report to their usual work location because of COVID-19. Continued pay and benefits assures that families and children receive services to the full extent possible during center closures and employees are ready to report to work when centers re-open.*

*This flexibility does not extend to non-COVID-19 related closures during which employees would not otherwise be paid, such as summer breaks.*

**6. Allowability of costs not normally chargeable to awards.** ([45 CFR §75.403](#), [45 CFR §75.404](#), [45 CFR §75.405](#), [45 CFR Part 75 Subpart E – Cost Principles](#); [2 CFR §200.403](#), [2 CFR §200.404](#), [2 CFR §200.405](#), [2 CFR Part 200 Subpart E – Cost Principles](#))

To the extent permitted by law, ACF will allow grantees/recipients who incur costs related to the cancellation of events, travel, and/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 allowability of costs, reasonable costs, and allocable costs. ACF will allow grantees/recipients to charge the full cost of cancellation when the event, travel, and/or other activities are conducted under the auspices of the grant. **Grantees/recipients 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, travel, and/or other activities.** ACF will require grantees/recipients to maintain appropriate records and cost documentation as required by [45 CFR §75.302](#) ([2 CFR §200.302](#)) (financial management) and [45 CFR §75.361](#) ([2 CFR §200.333](#)) (record retention), to substantiate the charging of any cancellation or other fees related to interruption of operations or services **due to the public health emergency**. As appropriate, ACF will post additional guidance on specific types of costs on its websites and/or provide a point of contact for an Agency program official.

*OHS recognizes that delivery of Head Start and Early Head Start services and family supports during the COVID-19 outbreak is both challenging and complex, especially when many families are isolated within their homes and may have experienced changes in life circumstances, such as job layoffs. In this unprecedented service environment, OHS understands costs that are necessary and reasonable for the performance of a Head Start award may be very different from allowable costs during normal operations. Circumstances in local communities may also vary significantly from state to state and within geographic areas. Grantees are expected to use prudent judgment and their knowledge of service populations and community circumstances to determine what expenses are necessary and reasonable to maintain services and, when possible, re-open centers. It will be important for grantees to document that costs incurred are necessary, reasonable, and allocable to the program's COVID-19 response for enrolled children and their families.*

**7. Prior approval requirement waivers.** ([45 CFR §75.407](#); [2 CFR §200.407](#))

To the extent permitted by law and at the respective Program Office's discretion, ACF will waive existing requirements to seek prior approval for allowable costs within program-specific authorities to effectively address the public health emergency response. However, grantees/recipients may continue to seek prior approval to avoid any potential disallowance or dispute based on unreasonableness or allocability for the allowable cost proposed or charged to the Federal award related to COVID-19. Grantees/recipients should remain in communication with Office of Grants Management (OGM) and must continue to act within existing guidelines for use of Federal funds. This temporary flexibility does not make unallowable expenses

allowable under a Federal award. **For those selected items of cost that are not directly related to COVID-19, the prior approval requirements remain in effect.** All costs charged to Federal awards must be consistent with Federal cost policy guidelines and the terms of the award, except where specified in [this memorandum](#). ACF is requiring grantees/recipients to maintain appropriate records and cost documentation as required by [45 CFR §75.302](#) ([2 CFR §200.302](#)) (financial management) and [45 CFR §75.361](#) ([2 CFR §200.333](#)) (record retention), to substantiate the charging of any cancellation or other fees related to interruption of operations or services. As appropriate, ACF will post additional guidance on specific types of costs being allowed (or not allowed) on its websites and/or will provide a point of contact for an ACF program official.

*Grantees may use funds from their current operating awards to respond to and recover from the impacts of COVID-19. For expenses necessary to respond to COVID-19, OHS grantees may utilize the following waivers of prior approval requirements. These waivers do not apply to COVID-specific summer program awards.*

- a. *Prior approval for the purchase of equipment ([45 CFR §75.308\(c\)\(1\)\(xi\)](#)). Grantees may purchase equipment needed to respond to COVID-19 with a value of up to \$25,000 without prior ACF approval. This waiver applies to purchases made between January 20, 2020 and December 31, 2020.*
- b. *Budget modifications ([45 CFR §75.308\(e\)](#)). In order to allow grantees more flexibility to spend funds as needed to respond to COVID-19 and, when possible, quickly move to re-open closed centers, prior approval is waived for budget transfers between direct cost categories for an aggregate amount not to exceed \$1 million between January 20, 2020 and December 31, 2020.*
- c. *Procurement by noncompetitive proposals ([45 CFR §75.329\(f\)\(2\)](#)). OHS recognizes that COVID-19 has created a public emergency for all grantees. Competitive solicitations may result in delays that impair a grantee's ability to respond to or recover from COVID-19. OHS is authorizing grantees to engage in sole source purchasing between January 20, 2020 and December 31, 2020 to obtain goods and services needed for COVID-19 response and recovery.*

**8. Exemption of certain procurement requirements.** ([45 CFR §75.328](#), [45 CFR §75.330](#); [2 CFR §200.319\(b\)](#), [2 CFR §200.321](#))

As appropriate, ACF will waive the procurement requirements related to geographical preferences and contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.

*OHS does not have Head Start-specific guidance associated with this flexibility. The exemption of certain procurement requirements noted above applies as stated to Head Start grantees.*

**9. Extension of financial, performance, and other reporting.** ([45 CFR §75.341](#), [45 CFR §75.342](#), [45 CFR §75.343](#); [2 CFR §200.327](#), [2 CFR §200.328](#), [2 CFR §200.329](#))



ACF will allow grantees to delay submission of financial, performance and other reports up to three (3) months beyond the normal due date. Grantees will be allowed to continue to draw down Federal funds without the timely submission of these reports. However, these reports must be submitted at the end of the postponed period. In addition, ACF will waive the requirement for recipients to notify the agency of problems, delays or adverse conditions related to COVID-19 on a grant by grant basis ([45 CFR §75.342\(d\)\(1\)](#); [2 CFR §200.328\(d\)\(1\)](#)).

*The extension of financial performance and other reporting noted above applies as stated to Head Start grantees, except that grantees must continue to submit open/closed center status reports and enrollment information without postponement.*

**10. Extension of currently approved indirect cost rates. ([45 CFR §75.414.\(c\)](#); [2 CFR §200.414\(c\)](#))**

The flexibility to extend currently approved indirect cost rates is the responsibility of the [HHS Program Support Center, Cost Allocation Services \(PSC/CAS\)](#). Grantees/recipients are instructed to contact PSC/CAS with any cost allocation and indirect cost rate questions. The contact information for PSC/CAS is available at <https://rates.psc.gov/fms/dca/map1.html>. Visit the [disclaimer page](#). As a courtesy, grantees/recipients are encouraged to copy their respective assigned OGM specialist.

*OHS does not have Head Start-specific guidance associated with this flexibility and the extension of currently approved indirect cost rates noted above applies as stated to Head Start grantees.*

**11. Extension of closeout. ([45 CFR §75.381](#); [2 CFR §200.343](#))**

ACF will allow the grantee/recipient to delay submission of any pending financial, performance, and other reports required by the terms of the award for the closeout of expired projects, provided that proper notice about the reporting delay is given by the grantee/recipient to the Agency. This delay in submitting closeout reports may not exceed one year after the award expires.

*OHS grantees with project periods ending between April 1 and December 31, 2020 may request a delay of up to one year for submission of any pending financial, performance, or other reports required by the terms of their award. To request an extension, a grantee must submit a written request to its Regional Grants Management officer indicating the financial, performance, or other reports for which an extension is requested and the length of the requested extension. Extensions will generally be given in three-month increments and are effective only when approved in writing by ACF.*

*OHS will not entertain requests for extension of any closeout reports or other materials needed to transition program services and assets, including real property, to a replacement grantee designated as a successor because of a designation renewal system competition, OHS de-funding, or grantee relinquishment of an award.*

**12. Extension of Single Audit submission. ([45 CFR §75.512](#); [2 CFR §200.512](#))**

As permitted under the [OMB M-20-17 memo](#), ACF will allow grantees/recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum and that have fiscal year-ends through June 30, 2020, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of [45 CFR §75.501](#) ([2 CFR §200.501](#)) (audit requirements), to six (6) months beyond the normal due date. This extension does not require individual grantees/recipients and subrecipients to seek approval for the extension by ACF or oversight agency for audit; however, grantees/recipients and sub-recipients should maintain documentation of the reason for the delayed filing. Grantees/recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of [45 CFR §75.520\(a\)](#) ([2 CFR §200.520\(a\)](#)) (low-risk auditee criteria).

*OHS does not have Head Start-specific guidance associated with this flexibility. The extension of single audit submission information noted above applies as stated to Head Start grantees.*

Thank you for your work on behalf of children and families.

/ Dr. Deborah Bergeron /

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