



### Why This Matters

The Federal Emergency Management Agency (FEMA) provides Public Assistance (PA) grants so that communities can quickly respond to and recover from major disasters or emergencies declared by the President. For disasters declared before November 13, 2007, these grants included an allowance (sliding scale) that covers both direct and indirect administrative costs. For disasters declared after that date, subgrantees may claim direct administrative costs (DAC) that relate to specific projects.

### DHS Response

FEMA officials concurred with two of three recommendations. Although FEMA's response stated that it disagreed with our recommendation to deobligate \$45.5 million, it also stated that paying DAC in excess of the sliding scale for certain disasters is improper. FEMA will deobligate DAC in excess of 3 percent of eligible project costs if subgrantees submit costs by August 29, 2013, and meet other conditions. FEMA also stated that it plans to provide training after it completes DAC guidance. FEMA's written response is due within 90 days.

### For Further Information:

Contact our Office of Public Affairs at (202)254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

## Direct Administrative Costs Paid for FEMA Public Assistance Grant Funds

### What We Determined

FEMA inappropriately authorized the retroactive application of laws, regulations, and policies regarding \$45.5 million of DAC for disasters declared after November 13, 2007. FEMA Region VI obligated \$45.5 million in direct administrative costs for two Louisiana disasters declared between August 29, 2005, and November 12, 2007. These costs are duplicate and ineligible because Federal regulations state that for all disasters declared before November 13, 2007, FEMA provides a sliding-scale administrative allowance that covers all direct and indirect costs associated with managing and administering subgrants under the public assistance program.

### What We Recommend

We recommend that the Acting Regional Administrator, FEMA Region VI:

- (1) Disallow \$45,549,564 in ineligible, duplicate direct administrative costs obligated for disasters that occurred before November 13, 2007.
- (2) Provide training to FEMA personnel involved in the administration of the public assistance program to ensure they understand cost principles applicable to direct and indirect costs incurred under Federal grants.
- (3) Establish guidelines to assist its personnel and grantees in distinguishing between eligible and ineligible management and administrative costs charged directly to projects under the public assistance program.