

Date: September 8, 2009

MEMORANDUM FOR: Regional Administrators
Acting Regional Administrators
FEMA Regions I – X

Transitional Recovery Office Directors

Federal Coordinating Officers

ATTENTION: Disaster Assistance Division Directors

FROM: Elizabeth A. Zimmerman
Assistant Administrator //signed//
Disaster Assistance Directorate

SUBJECT: Disaster Assistance Policy DAP9525.9, *Section 324 Management Costs and Direct Administrative Costs* and
Recovery Policy 9525.14, *Grantee Administrative Costs*

This memorandum provides additional guidance on implementing Disaster Assistance Policy DAP9525.9, *Section 324 Management Costs and Direct Administrative Costs* and Recovery Policy 9525.14, *Grantee Administrative Costs*.

Grantee Direct Administrative Costs

In order to streamline and improve the efficiency of reimbursing grantees for direct administrative costs, FEMA will allow grantees to claim direct administrative costs on an applicant basis rather than on a project basis. Therefore, the grantee may request reimbursement for direct administrative costs on one category Z project worksheet (PW) per applicant, rather than multiple PWs as stipulated in paragraph VII D. (7) of DAP 9525.9, *Section 324 Management Costs and Direct Administrative Costs*. Grantees must continue to document its direct administrative costs on a project-by-project basis. When utilizing one Category Z PW, the PW must cross-reference each emergency work or repair project PW and document the direct administrative costs for each project separately.

Use of Contractors

Pursuant to Recovery Policy 9525.14, *Grantee Administrative Costs*, grantees and applicants may use contractors to perform grant management functions. Neither Federal regulations nor FEMA policy precludes Public Assistance grantees or applicants from using contractors to perform eligible Public Assistance grants management activities. Public Assistance staff should not discourage use of contractors. Such contractor costs are eligible for funding provided as section 324 management costs or as direct administrative costs.

Reasonable Contract Costs

FEMA will reimburse grantees and applicants reasonable administrative costs to perform eligible Public Assistance activities. Staff must consider the following factors when evaluating the reasonableness of requested costs: (1) method of contracting for the services (2) the skill level of persons performing the activities, and (3) the amount of time required to perform an activity. FEMA regulations found at 44 CFR §13.36 **Procurement**, outline procurement requirements for grant recipients to use for all contracts funded by grants. FEMA usually considers costs resulting from competitively procured contracts to be reasonable, provided the skill levels are appropriate for the activities performed. Contract costs are typically higher than the cost of force account labor. For most Public Assistance projects, a junior or mid-level technical or program specialist (or equivalent) is appropriate for the effort. For complex projects, staff with a higher level of technical proficiency and/or experience may be appropriate. Public Assistance staff must ensure that the grantee or applicant contracted for the appropriate mix of skill levels for the types of emergency work and permanent repair projects that are eligible for FEMA funding.

The last element staff must consider in determining reasonable costs is the amount of time required to perform a particular task. Typically, the major tasks include inspecting damaged facilities, determining the extent of damage, and developing the scope of work and cost estimate required to restore the facilities. (Attached is a list of tasks related to Public Assistance projects that applicants and grantees perform.) Staff should use the amount of time it takes FEMA staff to perform similar functions as a reference point to determine if the amount of time the grantee or applicant requests is reasonable.

Small Projects

The level of effort to prepare PWs will vary from applicant to applicant. Many applicants seek FEMA support in developing scopes of work and cost estimates. However, FEMA encourages applicants to prepare project worksheets for small projects. When applicants prepare project worksheets for small projects, FEMA will validate 20 percent of the small projects for compliance with program eligibility and reasonableness. If FEMA determined that the first sample meets program eligibility requirements, FEMA will accept all of the applicant's small projects without detailed review (except for math errors). If FEMA observes issues with the first sample, it will validate another sample. If the second sample fails validation, FEMA will review all of the applicant's small projects.

Large Projects

Normally, FEMA works with the grantee and applicant to prepare the project worksheet for large projects. FEMA expects applicants to identify the scope of disaster-related damages to their facilities. Applicants may document the disaster damages, scope of work, and cost estimate on a PW and submit the project worksheet to FEMA for review. Applicants should inform FEMA of the level of effort they will invest in developing a large project PW to facilitate better coordination and avoid duplication of effort.

Travel and Per Diem

Travel and per diem costs for contractor employees that work on eligible Public Assistance projects are eligible as direct costs if such costs can be and are attributed to individual projects.

Documentation

In accordance with 44 CFR §13.20 **Standards for financial management agreements**, grantees and applicants must maintain documentation to support all costs they request for reimbursement. Grantees and applicants must provide a summary of backup information and a random sample of original documentation if they have completed the project when FEMA writes the project worksheets. If FEMA prepares a project based on an estimate, grantees and applicants must provide documentation on how they developed the estimates for direct grant management costs.

Direct Administrative and Section 324 Management Costs

The attached table provides a list of PA administrative activities. While all activities are eligible for reimbursement with section 324 Management Cost funding, those marked as “Direct” may be direct charged to projects if they can be fully documented as such. The table is not an exhaustive list and there may be exceptions to the categorizations.

Attachment