



I. TITLE: Public Assistance Alternative Procedures for Direct Administrative Costs

II. DATE: October 25, 2017

III. POLICY STATEMENT:

This policy provides guidance for the provision and implementation of Public Assistance (PA) Direct Administrative Costs (DAC).¹ FEMA will allow each Subrecipient to receive a fixed estimate DAC award, calculated as a flat rate percentage of all the Subrecipient's eligible emergency and permanent work, prior to insurance reductions. The policy describes the requirements for participation, and the process for submitting DAC in relation to the submission of individual projects.

IV. PURPOSE:

This policy authorizes DAC to be awarded to the Subrecipient based on a fixed estimate for all of the Subrecipient's eligible emergency and permanent work projects. The fixed estimate DAC award is calculated as a flat rate of 4% of full eligible project costs (i.e., prior to reductions for insurance proceeds, cost share, or any other reductions) with an additional 1% applied to the same eligible project costs as a closeout incentive. Unlike the previous practice for claiming DAC on each eligible project worksheet (PW), all of the Subrecipient's DAC will be documented on one consolidated DAC PW. DAC funds obligated under this fixed estimate may not be allocated for indirect costs.² The Recipient must ensure documentation submitted to support DAC does not duplicate documentation submitted to support State Management Costs award funds made available to a Subrecipient.

This policy includes an incentive for the timely closeout of projects in accordance with section 428(c)(4). The closeout incentive involves the Recipient providing 4% of total eligible costs per project upon request and an additional 1% of total eligible costs per project once the PW is submitted for closeout, for a total of 5% of total eligible pre-award costs as the DAC allowance per project. PWs submitted to the Recipient for closeout within 90 days of the end of the project period of performance will receive the additional 1%. As a remedy for noncompliance with the closeout requirement at 2 CFR §200.343(a), any PW that is submitted to the Recipient for closeout later than 90 days after the end of the project period of performance will not receive the additional 1% which will be deobligated by FEMA at closeout pursuant to 2 CFR §200.338(b).

¹ Direct administrative costs are direct, administrative, or other expenses the Recipient or Subrecipient incurs in administering and managing PA awards that are directly chargeable to a specific project.

² Indirect administrative costs are indirect, administrative, or other expenses the Recipient or Subrecipient incurs in administering and managing PA awards that are not directly chargeable to a specific project. See Section 324 of the Stafford Act and 44 CFR Part 207.



V. SCOPE AND AUDIENCE:

The policy is applicable to eligible Subrecipients in areas declared on or after August 25, 2017, that voluntarily choose to participate. It is intended for FEMA, Recipient, and Subrecipient staff developing and managing projects under the PA Program.

VI. AUTHORITY:

Fixed estimate DAC awards are authorized under Stafford Act section 428(e)(1), Public Assistance Program Alternative Procedures. This policy furthers the goals of the alternative procedures as described in Stafford Act section 428(c).

VII. OBJECTIVES:

- A. To reduce the administrative burden on FEMA, the Recipient, and Subrecipients as it relates to tracking and requesting reimbursement for administrative duties associated with the management and administration of PA awards.
- B. To ensure Subrecipients provide timely and complete information and documentation to FEMA for the purposes of applying for, administering, and closing PA awards, and comply with the federal award administrative requirements described in 2 CFR §200.
- C. To incentivize timely submission of projects for closeout. This is achieved by withholding a portion of the DAC allowance on a per project basis until the emergency or permanent work PW is submitted to the Recipient for closeout.

VIII. POLICY:

A. Participation.

- 1. Utilization of a fixed estimate DAC award is voluntary. Subrecipients that elect to participate must include all DAC claims under one consolidated PW. The fixed estimate DAC award will be calculated as a flat rate of 4% and a 1% closeout incentive for a total of 5% of eligible project costs prior to reductions for insurance, cost share, or any other reductions. Ineligible and donated resources projects will be excluded from calculation of the fixed DAC award.
- 2. Subrecipients that elect to participate must sign a written agreement binding them to the provisions of this policy. The agreement is included as Appendix A.

B. PW Processing.

- 1. Calculating the Fixed Estimate DAC award.



FEMA will award DAC at 5% of the pre-award value for each PW (Version Zero), based on the full eligible dollar value of the PW prior to any applicable reductions for insurance proceeds, cost share, or other reductions. Donated resources PWs and ineligible projects will not be included in this calculation.

2. Formulating the Fixed Estimate DAC PW.

The Subrecipient must agree to consolidate all DAC from each eligible PW into one fixed estimate DAC PW. Doing so will permit the Subrecipient greater flexibility to manage and document direct administrative costs in an aggregate manner, instead of project by project. To effectively calculate the appropriate value for the fixed estimate DAC PW, a spreadsheet has been developed to capture the total eligible costs for each Subrecipient; this spreadsheet is provided in Appendix B.

Subrecipients may request funds be obligated against the fixed estimate DAC award at various milestones of the recovery process. The DAC PW may have up to three versions in addition to the original Version Zero. Note each version provides an opportunity to increase the amount of funding for the fixed estimate DAC award based on newly submitted projects. Upon obligation of the final version, the DAC PW will be locked in based on 5% of pre-award costs for all eligible underlying emergency and permanent work PWs. The Subrecipient cannot submit any additional versions of the fixed estimate DAC PW.

a) DAC PW Version Zero:

Version Zero of the DAC PW is submitted at the discretion of the Subrecipient upon the Subrecipient's request. The Subrecipient determines the appropriate time to make this request. This version will include the aggregate of 5% of the cost of each eligible project submitted into EMMIE for Initial Review at that time. At this time, the fixed estimate DAC award is locked in for all PWs submitted in the first group of projects submitted for inclusion in Version Zero of the fixed estimate DAC PW. Accelerated or Expedited PWs that have been formulated based on a broad damage description and/or scope of work due to lack of information and documentation at the time of PW formulation, and where the estimate will likely fluctuate significantly, will require the Subrecipient to provide appropriate documentation to support the estimate prior to determining the fixed estimate DAC award for that project. Reimbursement of DAC costs are not restricted to PWs submitted for fixed estimate DAC award calculations. However, only eligible projects are allowed to have DAC costs applied against them.

b) DAC PW Versions One, Two, and Three:

If necessary, Versions One, Two, and Three of the DAC PW are submitted at the discretion of the Subrecipient based on each group of projects the Subrecipient chooses to include in the consolidated DAC PW. These versions will include any



additional fixed estimate DAC awards based on the submission of projects that were not submitted in previous versions. Once the fixed estimate DAC PW is recalculated to include the newly submitted projects, the fixed estimate DAC award is once again locked in based on all previously estimated DAC awards from subsequent versions.

The final version (not to exceed Version Three) of the DAC PW can be submitted once all emergency and permanent work PW Version Zeros have been signed and submitted. This milestone must be completed within two years of the declaration date. It will include all DAC based on the aggregate of 5% of the cost of each eligible project submitted into EMMIE for Initial Review. This version will be the final lock-in amount for all DAC for a participating Subrecipient's eligible PA projects. In the event that additional PWs are submitted past this deadline, those PWs will not be eligible for inclusion in the fixed estimate DAC award.

3. All timelines established under Sections 403, 406, 407, and 428 of the Stafford Act apply.

C. Grants Management and Disbursement.

1. Documentation Requirements.

DAC does not need to be tracked on a per project basis. To support a fixed estimate DAC award claimed at 5% of eligible pre-award costs for all eligible underlying emergency and permanent work, the Subrecipient will provide:

- a) The payroll data and an explanation of all Force Account costs incurred for direct administrative activities associated with eligible PA projects; and/or
- b) The contractor invoice(s) for direct administrative activities associated with eligible PA projects.

2. Disbursement of Funds.

FEMA will award 5% of all eligible project costs – prior to any applicable reductions for insurance, cost share, or other reductions – to the Recipient for disbursement to participating Subrecipients.

- a) The Recipient will disburse funds for DAC to Subrecipients upon their request for reimbursement. The amount will not be limited to DAC for projects submitted as part of the fixed estimate DAC awards. However, the final costs must be limited to the total eligible DAC for eligible PA projects. The funds will be disbursed from the consolidated DAC PW, and the total amount of funding disbursed for DAC cannot exceed the total eligible amount included on the DAC PW (either the lock-in allowance for the most recent milestone or the final DAC lock-in allowance).



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- b) The Recipient must ensure that any funds provided for State Management Costs made available to a Subrecipient do not duplicate any funds provided for DAC pursuant to the provisions of this policy.

3. Closeout Incentive.

To incentivize timely submission of projects for closeout, the Recipient shall withhold a 1% portion of the DAC allowance on a per project basis until the PW is submitted to the Recipient for closeout. If the objective of the closeout incentive has been met by submitting the PW to the Recipient for closeout within 90 days of the end of the project period of performance, as required by 2 CFR §200.343(a), the Recipient may disburse the additional DAC allowance for that project to the Subrecipient. Otherwise, the remaining amount will be deobligated by FEMA at closeout as a non-compliance remedy consistent with 2 CFR §200.338(b).

4. Use of Excess Funds.

The Subrecipient may use DAC excess funds for any costs otherwise eligible pursuant to section 428(e)(1)(D) of the Stafford Act (42 U.S.C. § 5189f). Any excess funds realized on the final DAC PW will need to be identified and a request for the use of those funds presented by the Subrecipient for the Recipient and FEMA approval within 180 days of the latest project period of performance. DAC excess funds can be used for cost effective hazard mitigation activities that will reduce the risk of damage in future disasters. The Subrecipient may use the funds for hazard mitigation on facilities not damaged in the declared disaster. However, the mitigation must be applied to facilities that would otherwise be eligible for PA Program funding. Use of excess funds can also include activities that improve future PA Program operations, such as training and planning for future disaster response and recovery operations.

IX. RESPONSIBLE OFFICE:

Recovery Directorate (Public Assistance Division)


Alex Amparo

Assistant Administrator
Recovery Directorate

10/25/2017
Date



APPENDIX A: Agreement for Participation

This Agreement ("Agreement") is made by and between the Federal Emergency Management Agency ("FEMA"), the State of _____ ("Recipient" or "State"), and participating Subrecipients, collectively "the Parties," as of the date of the executed Agreement. This Agreement is hereby incorporated into and made part of the disaster assistance processing for the Public Assistance Alternative Procedures for Direct Administrative Cost for Subrecipient Administrative Costs for both non-fixed estimate grants provided under sections 403, 406, and 407 of the Stafford Act, as well as fixed estimate, capped grants under section 428 of the Stafford Act. Once a Subrecipient agrees to participate in the pilot, all direct administrative costs for their obligated PWs must be included.

Agreement Stipulations

- A. Each Party acknowledges and agrees that the grant conditions of this Agreement constitute an agreement of FEMA, the Recipient, and the Subrecipient (by signature of the Recipient and Subrecipient) related to FEMA's discretionary eligibility determinations reflected herein and in the administrative cost PW.
- B. The Parties agree that no additional documentation outside of that described in Section VIII.C.1. of the Recovery Policy for Public Assistance Alternative Procedures for Direct Administrative Costs will be required by FEMA to substantiate the fixed estimate DAC award, pursuant to the terms of this Agreement.
- C. The Parties agree that these conditions comport with the statutes, rules, and regulations that relate to and govern awards under FEMA's Public Assistance program and section 428 of the Stafford Act. The parties agree that these conditions do not create any liability on the part of FEMA that would be contrary to 42 U.S.C. § 5148.
- D. FEMA will deobligate funding awarded in compliance with this Agreement and memorialized in the respective PW only (1) as a remedy for non-compliance with the closeout requirement at 2 CFR § 200.343(a) pursuant to Section IV of this policy; or (2) upon a determination of fraud, waste, or abuse. FEMA recognizes that any subsequent determination that deobligates funding associated with the determinations made herein and memorialized in the respective PW could constitute a new dispute subject to appeal under 44 C.F.R. § 206.206.



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In consideration of the foregoing covenants, the Parties do hereby set forth their signatures:

[Recipient Representative Name]
[Recipient Representative Title]
[STATE]

Date

[Subrecipient Representative Name]
[Subrecipient Representative Title]
[Name of Subrecipient (County, City, etc.)]

Date

[FEMA Name]
[FEMA Title]
Federal Emergency Management Agency

Date