

Public Assistance
Management Costs
Standard Operating Procedures
February 2019



FEMA

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A. Purpose and Applicability

This Standard Operating Procedures (SOP) document defines the procedures for documenting and processing management cost claims under the *Public Assistance Management Costs Interim Policy* (hereinafter referred to as Interim Policy), published on November 14, 2018.¹ The procedural information outlined in this document is intended to ensure consistent implementation of the Interim Policy and effective tracking and verification of management cost claims by Recipients and Subrecipients.

B. Management Costs under the Interim Policy

The following procedures apply to all Recipients and Subrecipients that receive management cost contributions under the Interim Policy. Recipients may request the initial Category Z PW prior to any project obligations or after projects have been obligated. Subrecipients may only request the initial Category Z PW once projects have been obligated.

FEMA uses the term Total Award Amount throughout this SOP. Total Award Amount is the actual eligible PA Project cost, including the non-Federal share, after insurance and any other reductions. It does not include Donated Resources or management costs.

1. Recipients

If a Recipient requests a Category Z PW prior to project obligations, the PA Group Supervisor (PAGS) or Infrastructure Branch Director (IBD) will initiate an obligation for 7 percent of the Recipient's minimum statewide PA per capita impact indicator.² If the Recipient estimates that its expenditures for the first 180 days of the declaration will exceed this amount, FEMA may obligate the estimated expenditure amount provided the Recipient provides a summary of anticipated expenditures and the amount does not exceed 7 percent of the estimated Total Award Amount for the disaster.

If a Recipient does not wish to receive advanced funding, the PAGS or IBD will initiate the Category Z PW obligation for 7 percent of the Total Award Amount of all obligated projects at the time the Recipient requests management cost funding.

FEMA may process amendments up to once a quarter for 7 percent of the Total Award Amount for all obligated projects at the time of the Recipient's amendment request.

If final actual management costs are known at the time the Recipient requests a Category Z PW, the Recipient should submit its claim for all eligible costs incurred and FEMA will obligate the Category Z PW based on the actual eligible costs up to the 7 percent maximum. If additional project costs are obligated or deobligated, FEMA will adjust the 7 percent maximum and the actual eligible costs as appropriate.

¹ www.fema.gov/media-library/assets/documents/174133.

² The Fiscal Year 2019 Statewide PA Per Capita Impact Indicator is \$1.50. See 44 CFR § 206.48(a)(1). FEMA publishes annual changes to the statewide indicator at www.fema.gov/public-assistance-indicator-and-project-thresholds.

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FEMA will use Cost Code 9904 to track Recipient costs obligated under this Interim Policy.

2. Subrecipients

If and when a Subrecipient requests a Category Z PW, the PDMG will formulate a Category Z PW for 5 percent of the Total Award Amount obligated for a Subrecipient at the time of its request. FEMA may process amendments up to once a quarter for 5 percent of the Total Award Amount obligated for the Subrecipient at the time of its amendment request.

If all final actual management costs are known at the time the Subrecipient requests a Category Z PW, the Subrecipient should submit its claim for all eligible costs incurred and FEMA will obligate the Category Z PW based on the actual eligible costs up to the 5 percent maximum. If additional project costs are obligated or deobligated, FEMA will adjust the 5 percent maximum and the actual eligible costs as appropriate.

FEMA will use Cost Code 9905 to track Subrecipient costs obligated under this Interim Policy.

3. Strategic Funds Management

In an effort to obligate management cost funds in a fiscally responsible manner, FEMA applies Strategic Funds Management (SFM) requirements to the Interim Policy Category Z PWs.³ FEMA will use the SFM process for Category Z PWs or versions where the Recipient or Subrecipient will not require funds for more than one year. In such cases, Recipients and Subrecipients must provide projected dates for when and how much management cost funding is needed, and a plan for expending management cost funds.

4. State/Tribal Administrative Plan Requirements

Recipients that are receiving management costs under the Interim Policy must update their State/Tribal PA Administrative Plan to account for any changes triggered by the Interim Policy, including but not limited to, removing language regarding pass-through amounts for Subrecipient management costs.⁴

C. Retroactive Application

This section only applies to Recipients and Subrecipients in events declared between August 1, 2017 and October 4, 2018.

Appendix A lists these major disaster declarations and Appendix B lists these emergency declarations. Both lists are organized by FEMA region.

³ See 9570.24 *Strategic Funds Management – Implementation Procedures for the Public Assistance Program* located at www.fema.gov/media-library/assets/documents/30301.

⁴ See 44 CFR §206.207(b).

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1. Selecting a Management Cost Option

Recipients and Subrecipients must notify FEMA of their management cost option selection in writing by March 15, 2019. Recipients and Subrecipients may either submit a letter or use the *Public Assistance Management Costs Selection* document (Appendix C) to inform FEMA of their selection.

Subrecipients that have not yet had a Recovery Transition Meeting should notify their Program Delivery Manager (PDMG) and submit their written selection via Grants Portal. Subrecipients that have already had the Recovery Transition Meeting should submit their written selection through the Recipient to the respective FEMA Regional Office. The written selection must be received by FEMA no later than March 15, 2019.

For Recipients and Subrecipients that do not provide a selection in writing by March 15, 2019, the following will apply:

- If the Recipient or Subrecipient did not have DAC funding obligated and did not opt into the DAC pilot, it will receive management cost contributions pursuant to the Interim Policy.
- FEMA will continue processing DAC Project Worksheets (PW) as it was prior to the Interim Policy for any Recipients or Subrecipients that had Direct Administrative Cost (DAC) funding obligated or opted into the DAC Pilot with a signed DAC Pilot Acknowledgement Form. For these Recipients, FEMA will also process the Category Z management cost PW per the requirements of Title 44 Code of Federal Regulations Part 207. These Recipients and Subrecipients will not be eligible for the Interim Policy for these declarations.

2. Project Worksheet Amendment Process for Retroactive Application of the Interim Policy

The following procedures apply to Recipients and Subrecipients that opt to receive management cost contributions under the Interim Policy (in cases where the Subrecipient has completed its Recovery Transition Meeting or management of the entire declaration has transitioned to the FEMA Regional Office, regional staff will conduct these actions):

- a. For Recipients, the PAGS, IBD, or FEMA regional staff, will:
 - Remove, or deobligate if applicable, any DAC line items from the Recipient's Category A-G PWs, including *Public Assistance Alternative Procedures Permanent Work* PWs even if the fixed cost estimate has been signed by all parties.
 - Remove or deobligate the DAC Category Z PW, if applicable.
 - Amend the SMC Category Z PW according to procedures provided in **Section B.1.**
 - FEMA will version the Category Z SOW and Costs instead of deobligating and reobligating a new Category Z PW. There will be a negative amount to the previous cost code and a positive amount to the new cost code on the existing

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Category Z PW.

- For any DAC obligated on Category A-G PWs, FEMA will prioritize obligation of the Category Z PW prior to deobligating DAC on Category A-G PWs.
 - When creating the Category Z project, the PDMG must also create versions (for the SOW and Cost) on all Category A-G projects that received traditional DAC in order for it to be removed.
- b. For Subrecipients, the PDMG, or FEMA regional staff, will:
 - Remove, or deobligate if applicable, any DAC line items from Category A-G PWs, including *Public Assistance Alternative Procedures Permanent Work* PWs even if the fixed cost estimate has been signed by all parties.
 - Either amend the DAC Category Z PW or create a new Category Z PW if one does not exist. FEMA will prepare these PWs according to the procedures provided in **Section B.2**.
 - For existing Category Z PWs associated with participation in the DAC Pilot, FEMA will version the Category Z SOW and Costs instead of deobligating and reobligating a new Category Z PW. There will be a negative amount to the previous cost code and a positive amount to the new cost code on the existing Category Z PW.
 - For any DAC obligated on Category A-G PWs, FEMA will prioritize obligation of the Category Z PW prior to deobligating DAC on Category A-G PWs.
 - When creating the Category Z project, the PDMG must also create versions (for the SOW and Cost) on all Category A-G projects that received traditional DAC in order for it to be removed.

D. Tracking and Documenting Management Costs

Recipients and Subrecipients must provide documentation to substantiate costs claimed for eligible management activities. Additionally, costs claimed must be reasonable.

1. Documentation Requirements.

In addition to the documentation noted in Table 10 of the *Public Assistance Program and Policy Guide* (PAPPG), the following documentation is required to substantiate the eligibility of management activities and associated costs. FEMA will publish a reasonable cost policy specific to management cost.

- a. An explanation of work performed with a representative sample of daily logs/activity reports. The activity must be related to eligible projects.⁵ Therefore, management costs associated with an appeal that is ultimately denied are not eligible. If an eligibility determination is appealed and the appeal is ultimately granted, that project is eligible for inclusion in the calculation of the Category Z PW and management activities associated with the eligible project costs are eligible for reimbursement.

⁵ See Requirements, Section C.2 of the Interim Policy.

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- b. Documentation to substantiate the necessity of any claimed office supplies, equipment, or space.
- c. For meetings or site inspections, the activity description needs to include the number and purpose of the meetings or site inspections.
- d. Travel costs need to include the purpose of travel and a copy of the travel policy.
- e. Training needs to include the location, date(s), and title of the course. The training must be related to PA and occur within the period of performance of the Category Z PW.
- f. Recipients and Subrecipients need to certify that the management activities and associated costs claimed are eligible, consistent with the Interim Policy, and not related to ineligible projects. See Appendix D for a *Certification of Management Cost Eligibility* document.

2. Closeout and Final Reconciliation.

All Category Z PWs will be reconciled and reimbursed based on actual costs not to exceed the maximum percentage allowed (7 percent for Recipients and 5 percent for Subrecipients). This includes Category Z PWs that are below the large project threshold.

The period of performance for all Category Z PWs for management costs under the Interim Policy is tied to the timelines provided in Sections C.4 and C.5 of the Interim Policy. The Recipient must submit its certification of the Subrecipient's Category Z PW with the final payment of claim and supporting documentation to FEMA within 180 days of the end of the period of performance.

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Appendix A: Major Disasters from August 1, 2017 to October 4, 2018

Major disasters declared from August 1, 2017 to October 4, 2018 are provided below, organized by FEMA region.

FEMA Region	State	DR Number	Incident Type	Declaration Date
1	CT	4385	Severe Storms, Tornadoes, and Straight-Line Winds	08/20/2018
1	MA	4379	Severe Winter Storm and Snowstorm	07/19/2018
1	MA	4372	Severe Winter Storm and Flooding	06/25/2018
1	ME	4367	Severe Storm and Flooding	05/30/2018
1	ME	4354	Severe Storm and Flooding	01/02/2018
1	NH	4371	Severe Winter Storm and Snowstorm	06/08/2018
1	NH	4370	Severe Storm and Flooding	06/08/2018
1	NH	4355	Severe Storm and Flooding	01/02/2018
1	NH	4329	Severe Storm and Flooding	08/09/2017
1	VT	4380	Severe Storm and Flooding	07/30/2018
1	VT	4356	Severe Storm and Flooding	01/02/2018
1	VT	4330	Severe Storms and Flooding	08/16/2017
2	NJ	4368	Severe Winter Storm and Snowstorm	06/08/2018
2	NY	4397	Severe Storms and Flooding	10/01/2018
2	NY	4348	Flooding	11/14/2017
2	PR	4339	Hurricane Maria	09/20/2017
2	PR	4336	Hurricane Irma	09/10/2017
2	VI	4340	Hurricane Maria	09/20/2017
2	VI	4335	Hurricane Irma	09/07/2017
3	MD	4376	Severe Storm and Flooding	07/02/2018
3	MD	4374	Severe Storms and Flooding	06/25/2018
3	WV	4378	Severe Storms, Flooding, Landslides, and Mudslides	07/12/2018
3	WV	4359	Severe Storms, Flooding, Landslides, and Mudslides	04/17/2018
3	WV	4331	Severe Storms, Flooding, Landslides, and Mudslides	08/18/2017

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FEMA Region	State	DR Number	Incident Type	Declaration Date
4	AL	4362	Severe Storms and Tornadoes	04/26/2018
4	AL	4349	Hurricane Nate	11/16/2017
4	FL	4341	Hurricane Irma – Seminole Tribe of Florida	09/27/2017
4	FL	4337	Hurricane Irma	09/10/2017
4	GA	4338	Hurricane Irma	09/15/2017
4	KY	4361	Severe Storms, Tornadoes, Flooding, Landslides, and Mudslides	04/26/2018
4	KY	4358	Severe Storms, Flooding, Landslides, and Mudslides	04/12/2018
4	MS	4350	Hurricane Nate	11/22/2017
4	NC	4393	Hurricane Florence	09/14/2018
4	SC	4394	Hurricane Florence	09/16/2018
4	SC	4346	Hurricane Irma	10/16/2017
5	IN	4363	Severe Storms and Flooding	05/04/2018
5	MI	4381	Severe Storms, Flooding, Landslides, and Mudslides	08/02/2018
5	MI	4326	Severe Storms and Flooding	08/02/2017
5	MN	4390	Severe Storms, Tornadoes, Straight-Line Winds, and Flooding	09/05/2018
5	OH	4360	Severe Storms, Landslides, and Mudslides	04/17/2018
5	WI	4383	Severe Storms, Straight-Line Winds, and Flooding	08/10/2018
5	WI	4343	Severe Storms, Straight-Line Winds, Flooding, Landslides, and Mud	10/07/2017
6	LA	4345	Tropical Storm Harvey	10/16/2017
6	NM	4352	Severe Storms and Flooding	12/20/2017
6	OK	4373	Wildfires	06/25/2018
6	TX	4377	Severe Storms and Flooding	07/06/2018
6	TX	4332	Hurricane Harvey	08/25/2017

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FEMA Region	State	DR Number	Incident Type	Declaration Date
7	IA	4392	Severe Storm and Tornadoes	09/12/2018
7	IA	4386	Severe Storms, Tornadoes, Straight-Line Winds, and Flooding	08/20/2018
7	IA	4334	Severe Storms, Tornadoes, Straight-Line Winds, and Flooding	08/27/2017
7	KS	4347	Severe Storms, Straight-Line Winds, and Flooding	11/07/2017
7	NE	4387	Severe Storms, Tornadoes, Straight-Line Winds, and Flooding	08/27/2018
7	NE	4375	Severe Winter Storm and Straight-Line Winds	06/29/2018
7	NE	4325	Severe Storms, Tornadoes, and Straight-Line Winds	08/01/2017
8	MT	4388	Flooding	08/30/2018
8	WY	4327	Flooding	08/05/2017
9	AS	4357	Tropical Storm Gita	03/02/2018
9	AZ	4389	Severe Storms, Flooding, and Landslides	08/31/2018
9	CA	4382	Wildfires and High Winds	08/04/2018
9	CA	4353	Wildfires, Flooding, Mudflows, and Debris Flows	01/02/2018
9	CA	4344	Wildfires	10/10/2017
9	GU	4398	Typhoon Mangkhut	10/01/2018
9	HI	4395	Hurricane Lane	09/27/2018
9	HI	4366	Kilauea Volcanic Eruption and Earthquakes	05/11/2018
9	HI	4365	Severe Storms, Flooding, Landslides, and Mudslides	05/08/2018
9	MP	4396	Typhoon Mangkhut	09/29/2018
10	AK	4391	Flooding	09/05/2018
10	AK	4369	Severe Storm	06/08/2018
10	AK	4351	Severe Storm	12/20/2017
10	ID	4342	Flooding	10/07/2017
10	ID	4333	Flooding, Landslides, and Mudslides	08/27/2017
10	OR	4328	Severe Winter Storms, Flooding, Landslides, and Mudslides	08/08/2017
10	WA	4384	Flooding	08/17/2018

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Appendix B: Emergencies from August 1, 2017 to October 4, 2018

Emergencies declared from August 1, 2017 to October 4, 2018 are provided below, organized by FEMA region.

FEMA Region	State	EM Number	Incident Type	Declaration Date
2	PR	3391	Hurricane Maria	09/18/2017
2	PR	3384	Hurricane Irma	09/05/2017
2	VI	3390	Hurricane Maria	09/18/2017
2	VI	3383	Hurricane Irma	09/05/2017
3	VA	3403	Hurricane Florence	09/11/2018
4	FL	3395	Hurricane Nate	10/08/2017
4	NC	3401	Hurricane Florence	09/10/2018
4	SC	3400	Hurricane Florence	09/10/2018
6	LA	3392	Tropical Storm Nate	10/06/2017
6	LA	3382	Tropical Storm Harvey	08/28/2017
9	AS	3397	Tropical Storm Gita	02/11/2018
9	CA	3398	Wildfire	07/28/2018
9	CA	3396	Wildfires	12/08/2017
9	HI	3404	Tropical Storm Olivia	09/12/2018
9	HI	3399	Hurricane Lane	08/22/2018
9	MP	3402	Typhoon Mangkhut	09/10/2018

Appendix C: Public Assistance Management Cost Selection

In accordance with Section 1215 of the Disaster Recovery Reform Act of 2018 Federal Emergency Management Agency (FEMA) has established the Public Assistance Management Costs Interim Policy¹ (Interim Policy).

This document is for Recipients and Subrecipients in events declared between August 1, 2017 and October 4, 2018.

These Recipients and Subrecipients may select whether or not to utilize the Interim Policy. Each of these Recipients and Subrecipients should either use this document or submit a letter through the Recipient to notify FEMA which policy they select to use **no later than March 15, 2019**. Recipients or Subrecipients that do not select an option will continue receiving DAC according to the option that was being applied prior to November 14, 2018.

We elect to:

- Receive management costs in accordance with the Interim Policy
- Continue receiving reimbursement for administrative costs as we were prior to November 14, 2018.

We understand that this election applies to all of our projects under the following Disasters or Emergencies²: _____, regardless of the project's obligation status and regardless of whether a project is open or closed.

Signature of Authorized Representative

Date

Printed Authorized Representative Name and Title

Recipient or Subrecipient (for which this selection applies) PA ID Number

¹ The Interim Policy is located at www.fema.gov/media-library/assets/documents/174133. FEMA has also issued a Fact Sheet to assist Recipients and Subrecipients with understanding the differences between the options. The Fact Sheet is available at www.fema.gov/media-library/assets/documents/90743.

² Recipients and Subrecipients may select different options for different disasters or emergencies by completing and signing separate documents for each disaster or emergency.

