

MASSACHUSETTS EMERGENCY MANAGEMENT AGENCY

Management Costs



What are Management Costs?

Management Costs are the costs incurred to meet administrative requirements while working within the Public Assistance (PA) program and developing eligible PA projects.

These include any of the following when associated with the PA portion of a major disaster or emergency:

- Any **indirect cost**
- Any **direct administrative cost**
- Any **other administrative expense** associated with a specific project under a major disaster or emergency



What are Management Costs?

Activities eligible as Management Costs may include, but are not limited to:

- a. Preliminary Damage Assessments
- b. Meetings regarding the PA Program or overall PA damage claim
- c. Organizing PA damage sites into logical groups
- d. Correspondence with Recipient / affiliate
- e. Site inspections
- f. Travel expenses
- g. Developing the detailed site-specific damage description
- h. Evaluating Section 406 hazard mitigation measures
- i. Preparing Small and Large Projects
- j. Reviewing PWs
- k. Collecting copying, filing, or submitting documents to support a claim
- l. Requesting disbursement of PA funds
- m. Training



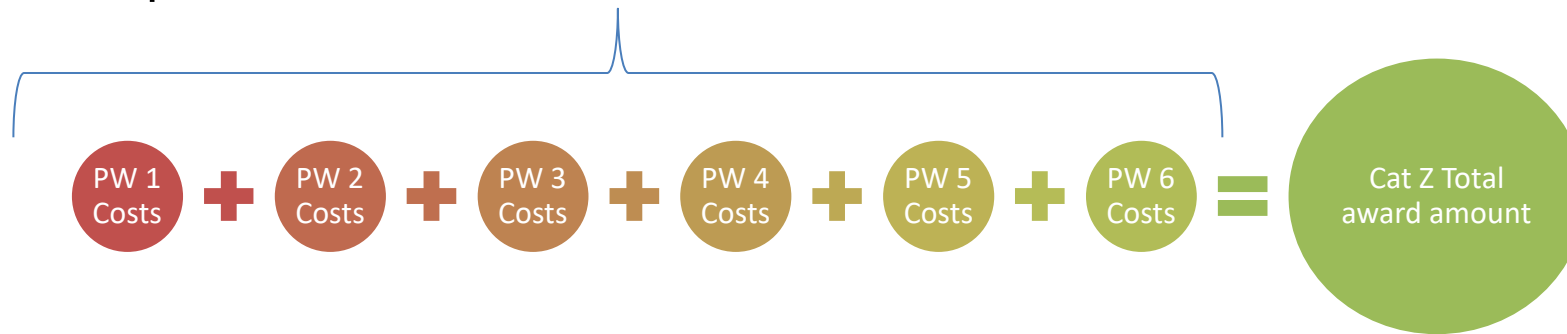
How are Management Costs Reimbursed?

- Management costs are reimbursed through a Category Z project worksheet, obligated by FEMA.
- Management costs for *all project worksheets in a single disaster* will be held in that **single Category Z project worksheet**.
- This Category Z project will be reimbursed at 100% Federal Cost Share



How is the Project Amount Determined?

- Contributions for management costs are based on **actual costs incurred up to 5 percent** of the total award amount for each Subrecipient.



- Includes management costs for all projects, both Large & Small (except Category B Donated Resource PWs, which aren't project awards)
- Obligated as a Category Z Project Worksheet
- Funded at 100 percent Federal share



How is the Project Amount Determined?

- Once a Subrecipient has project obligations, FEMA may provide a Category Z obligation for 5 percent of the total, Disaster-wide obligated amount of *all projects*.
- FEMA may process additional versions to the Category Z PW for 5 percent of that Subrecipient's total project obligations on a *quarterly basis* as needed (as new, non-Category Z projects get obligated).
- These obligations are subject to Strategic Funds Management. FEMA may require a plan describing **how the Subrecipient plans to use the funds**.



Additional Considerations

Projects w/ insurance - reduced by the proceeds

The total award = actual eligible Public Assistance project costs (Federal and non-Federal share) ***after insurance and any other reductions.***

Insurance must be considered to avoid a duplication of benefits for portions of project covered

Based on Actuals Up To 5% Cap

- Project is based on actual costs incurred **up to 5%** of the total award.
- Excess management cost funding may **not** be retained.

Timeline for Claiming Management Costs

Subrecipient may claim management costs incurred up to **the earlier of:**

- 180 days after the Subrecipient completes its last regular (non-CAT Z) project; or
- 180 days after the latest performance period of the Subrecipient's regular projects.



Receiving Management Cost Funding



Initial Obligation - Once a Subrecipient has project obligations, FEMA may provide a Category Z obligation for 5 percent of the total project amount obligated.

Versions - FEMA may process *additional versions* to the Category Z PW for 5 percent of that Subrecipient's **total project obligations** on a *quarterly basis* as needed.

Final Obligation - After FEMA has processed all final actual cost project claims, FEMA will process the final Category Z obligation or deobligation based on actual reasonable costs *up to the maximum 5 percent*.



Management Costs – Cost Principles



Cost Principles

All costs must be reasonable, allowable, allocable, and necessary as required by 2 CFR Part 200 Subpart E.



Direct Administrative Costs

- Direct Administrative Costs, abbreviated as “DAC”, are direct, administrative, expenses subrecipients incur during the administering and managing of Public Assistance awards.
- May be performed by subrecipient Force Account staff or by a consultant or contractor.
- “Direct” meaning the time/activity is identifiable to a specific Disaster activity.



Eligible Activities

Activities eligible as management costs include those related to developing eligible Public Assistance projects and receiving reimbursement.

Correspondence
with Recipient /
Affiliate

Meetings
regarding the PA
Program or overall
PA damage claim

Preparing Small
and Large Projects

Reviewing PWs

Collecting copying,
or submitting
documents to
support a claim

Requesting
disbursement of
PA funds



Indirect Costs

Reimbursement for eligible indirect costs is a significant change for Public Assistance subrecipients.

- Indirect Costs were not eligible under previous disasters.
- Indirect Costs are defined as “A cost incurred for a common or joint purpose benefiting more than one cost objective that is not readily assignable to the cost objectives specifically benefited.”
- e.g. – Negotiated *administrative rate*; or some other agreed-upon percentage of project expenditures



Management Costs – Cost Documentation



Cost Documentation

Subrecipients must submit **actual cost documentation** to substantiate the eligibility of costs and activities claimed as management costs.

Activity Logs

Payroll data

Procurement
Documentation

Contracts

Invoices

Proof of
payment



Direct Administrative Cost Documentation Requirements

Force Account Labor

- Payroll Policy/Employee Handbook, with pay types and fringe benefit calculation
- Claim Summary
- Payroll Registers (per employee claimed)
- Time Sheets (per employee claimed)
- Bank Statements (showing lump sum payroll clearing)
- Activity Logs tying hours to eligible projects for the Disaster

Consultant Costs

- Claim Summary
- Contract Summary
- Executed Contract
- Approved and Executed Change Orders/Amendments
- Detailed Invoices
- Proof of Payment (Canceled checks front & back, bank statements, or credit card statements)

Activity logs are required, but they don't have to specify which PW the DAC claim is related to.



DAC Sample Activity Log

| Date | Start Time | End Time | Work Description | Hours |
|------------|------------|----------|--|-------|
| 09/18/2017 | 9.00 | 11.50 | Looked up FEMA Equipment Codes on City Equipment | 2.50 |
| 09/18/2017 | 13.00 | 15.12 | Attended FEMA Webex Meeting | 2.20 |
| 09/19/2017 | 9.20 | 12.00 | FEMA Forms - Fringe Benefit Calculations | 2.80 |
| 09/19/2017 | 13.20 | 16.70 | FEMA Forms - Entering Labor Hours | 3.50 |
| 09/20/2017 | 8.50 | 12.00 | FEMA Calculations - Compiling Equipment Usage | 3.50 |
| 09/20/2017 | 13.50 | 17.00 | FEMA Calculations - Entering Equipment Usage | 3.50 |
| 09/21/2017 | 10.50 | 12.00 | FEMA Calculations - Entering Equipment Usage | 1.50 |
| 09/21/2017 | 13.50 | 16.00 | FEMA Calculations - Entering Equipment Usage | 2.50 |
| 09/22/2017 | 8.50 | 13.00 | FEMA Worksheets | 4.50 |
| 09/22/2017 | 14.50 | 16.50 | FEMA Worksheets | 2.00 |
| 10/09/2017 | 9.00 | 12.00 | FEMA Worksheets | 3.00 |



Resources

| | | |
|------------|---|-------------------|
| Hyperlinks | <u>Section 1215 Public Assistance Management Costs Interim Policy (FP 104-11-2)</u> | issued 11-14-2018 |
| | <u>Public Assistance Fact Sheet - Management Costs</u> | issued 2-11-2019 |
| | <u>Public Assistance Management Costs SOP</u> | issued 2-11-2019 |

