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10th Annual State Treasurer's
Investing & Cash Management
Conference

*Cost Documentation
Requirements
for
Disaster
Response & Recovery
Projects*

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Overview of Public Assistance Program

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Public Assistance

- **A Federal grant program that supplements State and Local efforts.**
- **The Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended, (Stafford Act).**

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Public Assistance Applicant Eligibility

- **State Agencies.**
- **Local Governments.**
- **Political Subdivisions of the State.**
- **Special Districts (water, sewer, etc.).**
- **Certain Private Nonprofit Organizations.
Medical, Custodial Care, Educational,
Emergency, Utility.**

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Public Assistance Work Eligibility

- **The work must be a result of the
declared event.**
- **The activity must be within the
designated disaster area and incident
period.**
- **The work or expense must be the
legal responsibility of the applicant.**

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Public Assistance Cost Share

75 % Federal

25 % Non-Federal

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Public Assistance Categories of Work

- A. Debris Clearance.**
- B. Protective Measures.**
- C. Road Systems.**
- D. Water Control Facilities.**
- E. Buildings and Equipment.**
- F. Public Utility Systems.**
- G. Other (i.e. Park Facilities,
Recreation Facilities, etc).**

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Cost Eligibility and Documentation Requirements

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- It is essential that you accurately document the expenses incurred in disaster response and recovery operations.
- Accurate documentation will help you to:
 - Recover all of your eligible costs;
 - Develop your disaster projects;
 - Validate the accuracy of your small projects; and
 - Prepare for federal/state audits and financial reviews.

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Generally, costs that can be directly tied to the performance of eligible work are eligible. Such costs must be:

- Reasonable and necessary to accomplish the work.
- Compliant with Federal, State, and local requirements for procurement; and
- Reduced by all applicable credits, such as insurance proceeds and salvage values.

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PROCUREMENT

- In performing work, applicants must adhere to all Federal, State, and Local procurement requirements.
- Normal procedures must NOT be altered because of the potential for reimbursement from Federal funds.

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PROCUREMENT

- **Contracts must be of reasonable cost, must be competitively bid, and must comply with Federal, State, and Local procurement standards.**
- **Copies of contracts, bid tabs, and identification of selected contractor must be provided to FEMA/SEMA, upon request.**

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PROCUREMENT

- **Applicant must provide FEMA/SEMA with written justification for selection of contractor other than lowest bid PRIOR to award of contract.**
- **SEMA will provide a written response regarding the eligibility of the selection back to the applicant.**

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PROCUREMENT

- Time and materials contracts should be avoided. FEMA will generally allow these contracts for the **initial 70 hour emergency period ONLY**.
- Applicants must carefully monitor and document contractor expenses, and a cost ceiling or **"not to exceed"** provision **must** be included in the contract.

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PROCUREMENT

**Cost plus a percentage of cost
contracts
and
contracts contingent on FEMA
reimbursement
are NOT eligible.**

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DUPLICATION

- An applicant may not receive funding from two sources to repair disaster damage.
- If an applicant can obtain assistance for a project from a source other than FEMA, including insurance proceeds, then FEMA cannot provide funds for that project.

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DUPLICATION

- For certain types of facilities, disaster assistance is the responsibility of a Federal agency other than FEMA.
- FEMA cannot provide assistance for the permanent repair of these facilities.
(In some cases FEMA may fund emergency work if the authorized agency decides not to provide assistance.)
- **This restriction applies even if the authorized agency decides not to provide assistance.**

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DUPLICATION

- **If a damaged facility is insured, FEMA is required to reduce the amount of the grant by any insurance proceeds that the applicant anticipates or receives for the insured facility, even if the applicant has not completed negotiations with insurer.**
- **The applicant must provide copies of all applicable insurance policies and insurance settlements to FEMA/SEMA.**

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DUPLICATION

- **For facilities located in the 100 year floodplain, the reduction is the maximum amount of insurance proceeds the applicant would have received if the facility had been fully covered by an NFIP standard flood insurance policy.**
- **The applicant must also obtain and maintain the insurance for the life of the facility as a condition of receiving the federal grant.**

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DUPLICATION

- **If the same facility is damaged in a similar future disaster, eligible costs will be reduced by the amount of eligible damage sustained on the previous disaster. (44 CFR Section 206.253 (b) (2)).**
- **FEMA interprets this to mean that all insurable damages, including deductible, up to the amount previously paid should be covered by insurance and are therefore not eligible for FEMA funding.**

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Labor Cost Eligibility

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Force Account Labor

- Labor performed by the applicant's employees, rather than by a contractor.
- Claimed at an hourly rate.
- Labor rates include actual wages paid plus fringe benefits paid or credited to personnel.

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Wage Rates

- The Davis-Bacon Act (Federal Prevailing Wage) does **NOT** apply to State and Local contracts for work completed using public assistance funds under the Stafford Act.
- **Missouri Prevailing Wage Laws DO apply.**
- Questions concerning the applicability of Missouri prevailing wage requirements should be directed to the Missouri Department of Labor and Industrial Relations.

(1-800-475-2130)

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Reassigned Employees

- Labor cost for employees assigned to perform tasks that are not part of their normal jobs is eligible as long as the reassigned employees are performing **eligible permanent work**.
- If the reassigned employee has a higher salary than the personnel normally performing the work, the eligible labor rate should be the average rate for the employees who normally do that type of work.

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Temporary Employees

- Temporary employees are extra personnel hired as a direct result of the disaster to perform eligible work.
- For example, a laborer hired to perform repairs to roads damaged during the disaster.
- All reasonable wages paid to temporary employees who perform **eligible emergency and permanent work** are eligible.

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Force Account Mechanics

- Time spent maintaining and repairing applicant-owned equipment is **NOT** eligible because this cost is included in FEMA's equipment rates.
- Repair of disaster damage to equipment may be eligible.
- Extraordinary damage to applicant-owned equipment that occurred while performing eligible work may be eligible.

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Foremen and Supervisors

- Labor for both foremen and supervisors may be eligible for work forces engaged in **disaster-related field activities**.
- Salaries of commissioners, mayors, department directors, police and fire chiefs, and other administrators usually are **NOT** eligible.

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Regular Time and Overtime

- For debris removal and emergency protective measures, **ONLY** the overtime labor is eligible for permanent employees regardless of normal duties or assignments.
- For permanent work, both regular time and overtime are eligible for all employees.

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Compensatory Time

- If an applicant has a policy for providing compensatory time in place of overtime, FEMA reimbursement will be based on that policy.
- Reimbursement at premium rates for overtime hours is **NOT** eligible.
- Costs for compensatory time are eligible at regular rates, but must be part of the official time-keeping system.

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Fringe Benefits

- **Fringe benefits that are actually paid as part of an established policy are eligible.**
- **Because certain items in a benefit package are not dependent on hours worked, such as health insurance, the fringe benefit rate will be different for regular and overtime hours.**
- **The overtime fringe benefit rate is usually significantly lower.**

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Material Cost Eligibility

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Material Costs

- **The cost of supplies that were purchased or taken from an applicant's stock and used during the performance of eligible work are eligible.**
- **If available, actual costs for materials should be taken from invoices.**
- **If the materials were taken from stock and invoices are not available, costs may be developed from the applicant's historical data or by contacting area vendors.**

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Material Costs (FEMA Rates)

- **FEMA has published a schedule of material costs that is applicable on a national basis.**
- **If material used by an applicant is not on the FEMA schedule, documentation to justify the requested cost must be submitted to SEMA/FEMA for review and determination of eligibility.**

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Equipment Cost Eligibility

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Equipment Costs

- **The incurred cost of applicant-owned equipment used to perform eligible work is eligible.**
- **Costs for the use of automobiles and pick-up trucks may be reimbursed on the basis of mileage.**
- **For all other types of equipment, costs are reimbursed using an hourly rate.**

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Equipment Costs

- Equipment rates typically include operation, insurance, depreciation, and maintenance; however, they do not include the labor of the operator.
- Stand-by time for equipment is **NOT** eligible.
- However, if an applicant uses equipment intermittently for the majority of the day, use for the entire day may be claimed **if adequate documentation is submitted.**

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Equipment Costs

- Equipment that is used for less than half a day is reimbursable only for the hours used.
- FEMA recognizes three types of equipment rates:
 - FEMA Rates
 - State Rates
 - Local Rates

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Equipment Costs (FEMA Rates)

- FEMA has published a schedule of equipment rates that is applicable on a national basis.
- If a piece of equipment used by an applicant is not on the FEMA schedule, documentation to justify the requested rate must be submitted to SEMA/FEMA.

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Equipment Costs (State Rates)

- An applicant may claim rates that have been approved under State guidelines up to \$75 per hour. Rates over this amount must be approved by FEMA.
- Rates used must be for "applicant-owned" equipment and **NOT** rates used for "contractor-owned" equipment.

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Equipment Costs (Local Rates)

- Rates developed by local government can be used.
- Reimbursement is based on the local rates or FEMA rates, whichever is **LOWER**.
- If the local rate is lower and the applicant certifies that the rates do not reflect all actual costs, the higher FEMA rates may be used.

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Donated Resources

- Donated resources must apply to emergency work that is eligible under the Public Assistance program.
- The donated services **must be documented** and must include a record of hours worked, the work site, and a description of work.

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Donated Resources

- **Examples of Donated Resources include:**
 - **Removing eligible debris.**
 - **Filling and placing sandbags.**
 - **Donating equipment to raise or reinforce a levee.**
 - **Donating materials, such as rock or sand.**
 - **Search and rescue when part of an organized search and rescue operation.**
 - **Professional safety inspections.**
 - **Mass food and shelter for victims, when not the mission of the organization.**

(FEMA Policy 9525.2)

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Donated Resources

- **Volunteer labor will be valued at the same hourly rate as someone in the applicant's organization performing similar work.**
- **For other types of work, such as sandbagging, FEMA and the State will establish a standard labor rate for volunteers at the beginning of the disaster.**

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Donated Resources

- The value of donated equipment should be determined by using the applicable FEMA equipment rate and multiplying it by the number of documented hours the piece of equipment was used performing eligible work.

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Donated Resources

- Donated materials are valued at the commercial rate.
- If the materials were donated by a Federal agency, such as sandbags donated by the USACE, the value of the materials can **NOT** be applied as volunteer credit.

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Administrative Allowance

- The Stafford Act stipulates that each applicant be provided an allowance to meet the costs of administering the public assistance grant.
- The allowance is currently calculated on a sliding scale based on the net eligible project costs provided to the applicant.

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Administrative Allowance

- Based on a percentage of eligible costs:
 - 3% of the first \$ 100,000
 - 2% of the next \$ 900,000
 - 1% of the next \$4,000,000
 - 0.5% of the amount over \$5,000,000
- Allowance automatically calculated and paid with each project.

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Administrative Allowance

- The administrative allowance is **NOT** intended to cover direct costs of managing specific projects that are completed using public assistance funds.
- These costs are eligible as part of the grant for each project, as long as they can be specifically identified and justified as necessary to do the work.

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Administrative Allowance

- Applicants **MUST** maintain records of how the administrative allowance is spent.
- These records need not be submitted to FEMA, however, they **MUST** be retained for three years beyond the date of closeout.
- As with all funds expended under the Public Assistance program, these records are subject to audit.

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Administrative Allowance

- At closeout, the applicant must provide the final financial status report indicating that all funds were expended and if not, how much is to be deobligated.
- If there are surplus administrative allowance funds, they **MUST** be returned to SEMA.
- SEMA will, in turn, return the funds to FEMA.

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Course Summary

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Generally, costs that can be directly tied to the performance of eligible work are eligible. Such costs must be:

- Reasonable and necessary to accomplish the work.
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- Reduced by all applicable credits, such as insurance proceeds and salvage values.

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It is essential that you accurately document the expenses incurred in disaster response and recovery.

If you can not document your disaster related expenses they will NOT be eligible for reimbursement.

Not all costs incurred by an eligible applicant are eligible for public assistance funding.

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If you are in doubt as to the eligibility of certain costs, contact SEMA/FEMA **BEFORE** you commit to the expense.

A legal commitment between the applicant and a contractor does **NOT** commit FEMA/SEMA to reimbursing those costs.

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