



January 15, 2019

Mr. Jeffrey Byard

Associate Administrator for the Office of Response and Recovery (ORR) at the Federal Emergency Management Agency (FEMA)
500 C Street SW
Washington, DC 20024

Dear Mr. Byard,

DRCA is writing you on behalf of its members to provide you with some comments and feedback on FEMA's Public Assistance Management Costs (Interim) Policy FP 104-11-2.

Our membership has identified the following issues and would like to make a few recommendations to FEMA's Recovery Directorate on the interim policy. DRCA would welcome the opportunity to discuss these issues with you before the final policy is implemented.

Identification of Issue #1 - Management Cost Contribution:

In Section B, "Management Cost Contribution," the interim policy defines an outcome of providing "PA management cost contributions to both Recipients and Subrecipients up to a percentage of the total award amount" and then goes on in this section to discuss the various percentages using the language "up to." This is different than the language in the Disaster Recovery Reform Act of 2018 (DRRA) which says a grantee may be reimbursed "not more than 12% of the total award amount." While the meaning is technically the same, the implication of the "up to" language is that reimbursement may be significantly less than the percentage the DRRA directs the Administrator to provide. DRCA's understanding of the intention of the interim policy is to take the unnecessary burden off recipients and sub-recipients in tracking management and administrative costs. The terminology "up to" makes it seem as if applicants are still going to need to fully justify their total spend to receive the full percentage.

Recommendation:

The interim policy language should mirror the language from the DRRA bill.

Identification of Issue #2 - Use of Management Cost Funds:

Section C5 of the interim policy states, "The Subrecipient may claim management costs incurred up to whichever of the following occurs first:

- a. 180 days after the Subrecipient **completes its last non-management** cost PA project; or
- b. **180 days after the latest performance period** of the Subrecipient's non-management cost PA project; or"

Many private sector contractors have Project Worksheets (PWs) that are complete and have been submitted for 6-9 months that are still in FEMA's initial review. The pace at which management costs are incurred is primarily controlled by FEMA and the progress FEMA makes in reviewing them. DRCA's understanding is that a quite a few contractors are past deadline because FEMA may not have looked at, or commented on, the project for over 6 months.



DRCA Recommendation:

DRCA's membership recommends FEMA clarify the term "completion." Our membership believes the language in the interim policy should be changed to 'through closeout'.

Identification of Issue #3 – Definition of Reasonable Costs:

On Page 2 and 3 of the *Public Assistance Management Costs Interim Policy*, it states that subrecipients and recipients will 'receive reimbursement for actual reasonable costs' not to exceed the 5 and 7 percent calculations respectively. The policy language leaves this interpretation up to FEMA for review and does not establish parameters for evaluation.

DRCA Recommendation:

Our membership would assume that costs up to 5% would be deemed reasonable as Direct Administrative Costs (DAC) given the underlying intent of the policy given the costs meet other elements of the PA program (e.g. time keeps, tasks, procurement, etc.). The DRCA's membership believes FEMA should further define the term 'reasonable costs' in this manner.

Identification of Issue #4 – Pre-insurance:

Pre-insurance was in the Pilot DAC guidance, but it has been taken out of the interim policy.

DRCA Recommendation:

DRCA's membership believes pre-insurance deduction should be included for calculating Management Cost.

We appreciate your time and attention to this important matter. FEMA's PA Program benefits when applicants try to hold insurers accountable. Some of our members have millions of dollars in permanent work projects that FEMA has conducted multiple site visits on, required an applicant-provided estimate, and for which the Agency has called dozens of meetings. Some of these projects end up being mostly funded by insurance - primarily as a result of contractors' efforts associated with the FEMA PA program. The Applicant is receiving the same amount of funding, though FEMA, in some cases, pays significantly less which is a cost benefit to the PA program.

In closing, we look forward to discussing these issues with you, so you can take our memberships' comments and feedback under consideration before these changes become permanent policy.

Sincerely,

Casey Long
Managing Director
DRCA

Cc: Keith Turi, Assistant Administrator FEMA Recovery Directorate