



Federal Emergency Management Agency

Washington, D.C. 20472

1. **Date Published:** April 22, 2001
2. **Response and Recovery Directorate Policy Number:** 9525.6
3. **Title:** Project Supervision and Management Costs of Subgrantees
4. **Purpose:** This policy provides guidance in determining the eligibility of project supervision and management activities of subgrantees.
5. **Scope and Audience:** This policy is applicable to all major disasters and emergencies declared on or after the publication date of this policy. This policy is intended for Federal Emergency Management Agency (FEMA) personnel in making eligibility determinations for the Public Assistance Program.
6. **Background:** Subgrantees have several types of eligible supervisory and management costs that serve different purposes and need to be identified and claimed separately. Commingling of the various costs and claiming them incorrectly may result in loss of eligible reimbursement for the subgrantees. This policy clarifies the eligibility of the various project supervision and management activities and how to account for the cost. It supplements the provisions of 44 CFR 206.228 on allowable costs and RR Policy #9525.7, *Labor Costs - Emergency Work*.
7. **Policy:**
 - A. Supervision and Management of Force Account Work. Regular-time of a subgrantee's employees for direct supervision of force account employees performing eligible emergency work generally is not an eligible cost. However, the regular and overtime for the same direct supervision of force account employees performing eligible permanent work generally is eligible. Costs are claimed on the *Project Worksheet (PW)* for each individual project being supervised. There may be instances where these costs may be included as project management costs (as described in the following paragraphs) or as part of construction unit prices. Care must be taken to prevent duplication of costs being claimed and to assure reasonableness of costs that are claimed. Some limitations on the eligibility of the costs include:
 - 1) The straight- or regular-time salaries of a subgrantee's permanently employed personnel who supervise or manage emergency work performed by the subgrantee's employees (or by contractors) are not eligible costs. (reference 44 CFR 206.228(a)(4)). (Overtime costs are eligible for eligible emergency work.)
 - 2) Labor costs of second level supervisors (and above) are ineligible unless the subgrantee can account for specific time spent on eligible permanent projects. (Generally, the labor costs of only first line supervisors of permanent work are eligible.)

- 3) In general, subgrantee expenses for administration and management activities not specifically accountable to a work project are ineligible.
- B. Project Management Activities. Project management is the oversight of an eligible project from the design phase (when necessary) to the completion of the work.
- 1) Eligible project management activities are those activities that the subgrantee would have performed in the absence of Federal funding. They include:
 - a) Direct management of projects in the concept and design stages that are being designed by a subgrantee's in-house staff, or by an architectural/engineering firm retained to analyze and design the repair or replacement of damaged facilities;
 - b) Procurement activities for architectural/engineering services and performance of work.
 - c) Review and approval of the project design regardless of who performs the design work.
 - d) Oversight:
 - i) Reasonable straight- or regular-time and overtime contractor costs are eligible costs if the subgrantee is using contractors for oversight.
 - ii) If the subgrantee is using its own regularly employed staff for oversight of emergency work, it may claim overtime costs but not straight- or regular-time costs.
 - iii) If the subgrantee is using its own regularly employed staff for oversight of permanent work, it may claim overtime costs and straight- or regular-time costs if the costs are tracked.
 - e) Comprehensive project management activities of the construction phase that may be included in an architectural/engineering contract or may be performed by a subgrantee's own staff. If a contract is used, costs are estimated using the cost curves in the *Public Assistance Guide*, FEMA 322, pages 75-79 (1999 edition). Final payment will be based on reasonable actual costs.
 - f) Construction inspection activities that are usually of a limited scope (for example, when projects do not require design). The construction inspection services may be provided by the subgrantee's own staff or a contractor. If a contract is used, the estimated fee is limited to 3% of construction costs as described in the *Public Assistance Guide*, FEMA 322, pages 79-80 (1999 edition). Final payment will be based on reasonable actual costs.
 - g) Testing and other procedures that may be mandated by State or local standards.

2) *Project Worksheets (PWs)*:

- a) Large Projects. The eligible costs will be included in the *PW* cost estimate based upon:
 - i) The actual project management cost for the specific project; or
 - ii) A reasonable percentage of the estimated construction cost when a project management contract is being negotiated but actual costs are not available. The percentage should be based upon past experience with project management contract costs for similar projects in the area.

The cost must be an actual expense that justifiably will be incurred by the subgrantee and it must be reasonable. If the subgrantee is uncertain as to the extent of project management activities to be used, an estimate should be made of the possible costs and included in the *PW*. The accounting of costs at closeout of the large project will determine final eligible cost.

- b) Small Projects. Most small projects do not require project management activities. However, project management costs may be claimed on a *PW* when they are reasonable and are based on:
 - i) The actual project management costs for each small project; or
 - ii) A single project management *PW* for a contract that includes management of multiple small projects. Each small project under the contract must be identified and the need for project management efforts justified but costs for individual projects do not have to be identified as long as the total cost of the contract is reasonable when compared to the total cost of the small projects.

A flat percentage estimate, added to each small project *PW* for project management, is not acceptable.

- C. Administrative Allowance Activities. There are activities that subgrantees may consider to be project specific, but are actually grant administration activities and, therefore, are not eligible as a project supervision and management cost. These administrative activities are those necessary in requesting, obtaining, and administering Federal disaster subgrants. Examples include identifying damage; writing *PWs*; assessing damage; attending Grantee and FEMA meetings; completing forms to request assistance; establishing files; collecting cost data; developing cost estimates; and working with the Grantee and FEMA during project monitoring, final inspections and audits. These grant administration activities are covered by the statutory administrative allowance (sliding scale) that is automatically added as a percentage of the total amount of assistance for a subgrantee when the projects are processed. The administrative allowance may not cover all costs that a subgrantee incurs performing grant administration activities but excess costs may not be claimed.

- 8. Supersession:** Memorandum from Richard W. Krimm to Regional Directors dated July 6, 1995, Subject: Inclusion of Management and Supervision Costs in DSRs. This policy updates and replaces any other previous public assistance policy documents on this subject.
- 9. Authorities:** Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, Section 406; 44 CFR 206.228(a)(2)(ii); 44 CFR 206.228(a)(4)
- 10. References:** Public Assistance Guide, FEMA 322, dated October 1999
- 11. Originating Office:** Infrastructure Division, Response and Recovery Directorate
- 12. Review Date:** Five years from date of publication
- 13. Signature:**

Signed
Lacy E. Suiter
Executive Associate Director
Response and Recovery Directorate

- 14. Distribution:** Regional Directors, Regional and Headquarters R&R Division Directors