

# Federal Emergency Management Agency

Washington, D.C. 20472

MEMORANDUM FOR: Regional Directors

FROM: Michael J. Armstrong  
Associate Director for Mitigation

Lacy E. Suiter  
Executive Associate Director  
Response and Recovery Directorate

DATE: 02-AUG-00

SUBJECT: Statutory Administrative Costs

FEMA has uncovered an error in the computer calculation related to statutory administrative costs provided on the basis of section 406(f)(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (Stafford Act). We are required to correct the calculation, but so as not to overcomplicate the situation and in order to minimize the impact on States with open disasters, we will begin with disasters declared after October 1, 2000. Because the change affects only a few transactions under the Hazard Mitigation Grant Program (HMGP) and Public Assistance program, the change will be done manually until the computer system is updated.

The problem is one of coding and the issue is fairly technical. We have tried to simplify the explanation for the corrective action as follows:

- The statutory administrative costs (also called the "sliding scale") are provided to States under the HMGP and Public Assistance program for overtime, per diem and travel costs of State employees related to project applications, *Project Worksheet* preparation and validation, certain reports, audits, and field inspections.
- Under the Public Assistance program, these statutory administrative costs are calculated on the amount of assistance provided under sections 403, 406, 407, 502 and 503 of the Stafford Act. Under the HMGP, these statutory administrative costs are calculated based on a percentage of the Federal share of mitigation assistance provided to subgrantees under the HMGP.
- The error has been that the sliding scale also was being calculated on "state management costs," that are provided under the provisions of Office of Management and Budget Circular A-87. The "state management costs" are additional funds that contribute to necessary costs for certain regular time salaries, equipment, and other expenses. In the past, the computer software did not distinguish "state management costs" either from assistance provided under sections 403, 406, 407, 502 or 503 of the Stafford Act, or from eligible

projects funded under the HMGP. Even when the "state management costs" were correctly coded, sliding scale payments were made on those costs.

- The FEMA Offices of General Counsel and Financial Management have advised that there is no authority for using "state management costs" as a basis for paying the statutory administrative costs (sliding scale).
- Subgrantees are not affected by this correction because they are not eligible for "state management costs."
- Any overpayments associated with disasters declared prior to October 1, 2000 will not be recouped.

Please advise appropriate staff that the sliding scale is not to be applied to "state management costs" for disasters declared after October 1, 2000, that manual calculations will be necessary until the computer software is amended, and that all *Project Worksheets* for "state management costs" (regardless of the date of the disaster) are to use Standard Project Number 852 in NEMIS. We hope that this explanation of the correction in the system has been clear, but please let us know if you would like to discuss this further.

# Federal Emergency Management Agency

Washington, D.C. 20472

AUG -2 2000

Mr. Joseph F. Myers  
President, National Emergency Management Association  
Florida Division of Emergency Management  
2555 Shumard Oak Boulevard  
Tallahassee, Florida 32399-2100

Dear Mr. Myers:

FEMA has uncovered an error in the computer calculation related to statutory administrative costs provided on the basis of section 406(f)(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (Stafford Act). We are required to correct the calculation, but so as not to overcomplicate the situation and in order to minimize the impact on States with open disasters, we will begin with disasters declared after October 1, 2000. Because the change affects only a few transactions under the Hazard Mitigation Grant Program (HMGP) and Public Assistance program, the change will be done manually until the computer system is updated.

The problem is one of coding and the issue is fairly technical. We have tried to simplify the explanation for the corrective action as follows:

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- The error has been that the sliding scale also was being calculated on "state management costs," that are provided under the provisions of Office of Management and Budget Circular A-87. The "state management costs" are additional funds that contribute to necessary costs for certain regular time salaries, equipment, and other expenses. In the past, the computer software did not distinguish "state management costs" either from assistance provided under sections 403, 406, 407, 502 or 503 of the Stafford Act, or from eligible projects funded under the HMGP. Even when the "state management costs" were correctly coded, sliding scale payments were made on those costs.

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- Subgrantees are not affected by this correction because they are not eligible for "state management costs."
- Any overpayments associated with disasters declared prior to October 1, 2000 will not be recouped.

FEMA is assuring that regional staff understands that the sliding scale is not to be applied to "state management costs" and that manual calculations will be necessary until the computer software is amended. We hope that this explanation of the correction in the system has been clear, but please let us know if you would like to discuss this further.

Sincerely,

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Michael J. Armstrong  
Associate Director for Mitigation

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Lacy E. Suiter  
Executive Associate Director  
Response and Recovery Directorate

cc: Ms. Trina Hembree  
2760 Research Park Drive  
PO Box 11910  
Lexington, Kentucky 40578-1910