



# Public Assistance Division

## Equipment Rates Standard Operating Procedures

September 2009

**Prepared by:**  
Allen J. Wineland

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## I. Overview

## II. Guidelines/Procedures to Determine Equipment Rates

Regions, States, and localities occasionally encounter the need for services that require the use of equipment for which reimbursement rates have not been established.

This procedure should only be used for equipment that is purchased, owned, and operated by a non-federal government entity.

Regions, States and localities should be prepared to defend a reimbursement decisions based on objective criteria and must ensure that guidelines established in OMB Circulars are followed.

The goal of this guideline is to provide background information so a reasonable reimbursement rate can be established. The decision must be defensible and rational. For instance, in reviewing the equipment rate site, it can be seen that the higher the horsepower, the higher reimbursement is assigned.

As you work to establish a reimbursement rate, keep in the back of your mind the thought that you may need to defend your decision. If a government auditor were sitting across from you asking how you determined the rate, use a process that you can defend and be able walk them through the procedure and the logic behind it to show them how you did it. You and the auditor may not agree on the rate that was established, but again it is important that you have a process and procedures that are applied uniformly in making the determination. We do not want arbitrary and capricious decisions made but rather logical and systematic decisions.

OMB Circulars A-133 and A-87 apply.

Link to OMB Circulars: <http://www.whitehouse.gov/omb/circulars>

## 1. General:

- a. A higher horsepower engine will usually result in a higher reimbursement rate due to higher procurement costs, and increased maintenance and operating costs as compared to a lower horsepower rating.
- b. A longer or heavier truck, vehicle, or trailer will generally be assigned a higher reimbursement rate than a lighter vehicle due to the likelihood of increased procurement, maintenance, and operating costs.
- c. A vehicle that is built to perform a specialty job, with a unique blend of equipment or one or more unique functions will usually be assigned a higher reimbursement rate due to higher procurement, maintenance, and/or operating costs.
- d. Review *Schedule of Equipment Rates* at this link to see how this is generally applied. Please read the notes at the top of the page.  
<http://www.fema.gov/government/grant/pa/eqrates.shtm>

## IV. New Equipment or first-time used equipment

- e. If faced with a new piece of equipment or one that is not on the list, proceed as follows:
  - i. If it similar to another piece of equipment, e.g. similar function, size, horsepower, length, or other characteristic? If so, use the rate for the similar equipment or use it as a basis for a modified rate for the new equipment.
  - ii. If it is not closely configured like another piece of equipment, but is in-between two already rated pieces of equipment, then set a reasonable rate based on function, size, horsepower, length, or other characteristic using the two or three other pieces of equipment as a reference.
- f. Using the Equipment Cost Survey Form (ESC)
  - i. There may be times when a piece of equipment is configured such that you do not feel comfortable making a payment rate decision. Or it may have multiple functions that do not lend themselves to comparison to existing equipment.
  - ii. Give the equipment owner/operator a copy of the ECS form and have them fill it out and return to HQ. We will use the data they supply, enter it into a spreadsheet designed to crunch numbers based on the ECS data and make a probably rate determination.
- g. If necessary, call HQ and ask for assistance.

A spreadsheet is available that was developed by a contractor and uses multiple factors to arrive at a rate. It is not often used. Most equipment rates are done by estimating reasonable operating and maintenance costs using the FEMA equipment rates on our website (<http://www.fema.gov/government/grant/pa/eqrates.shtm>) as a base. This can be done when there is a price of equipment that is similar in function such that a reasonable reimbursement rate can be made by deduction. E.g. a 350 HP engine costs about the same to run on a given piece of equipment/vehicle.

(Note: The depreciation rate is determined by dividing the equipment acquisition cost by the estimated life in hours.)

OMB Circular A-133 states the costs must be reasonable. If the rate tables I mentioned are used, then a reasoned estimate is made and that is that.

To prevent running afoul of an auditor use a methodology to back up the rate. For instance, if on an audit it is found that a dump truck is used (cost code 8731) and it is being paid at \$150.00/hr, someone should be prepared to say why that rate is used and not one that is more in line with the \$60.00 on the equipment rate website. If you have a truck that has a larger engine, it would cost more to operate and so a little higher rate can be used and justified.

#### **IV. Special use Equipment Spreadsheet**

<S:\HQ\Public Assistance\Technology and Support Branch\Support Section\Equipment Rates>

Click on Special use Equipment

#### **V. Attachments**

##### **1. Equipment Cost Survey (ECS) Form**