



FEMA

Federal Insurance and Mitigation Administration

Frequently Asked Questions:

Hazard Mitigation Grant Program Management Costs Policy (Interim)

Purpose

The following content addresses questions collected from stakeholders regarding the implementation of Hazard Mitigation Grant Program Management Costs (Interim) Policy #104-11-1 (Interim Policy).

Background

On October 5, 2018, the President signed the [Disaster Recovery Reform Act \(DRRA\) of 2018](#) into law. Section 1215 of the DRRA amended Section 324 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act ([Stafford Act](#)). Section 324 of the Stafford Act defines and outlines management costs with regard to an expense associated with specific projects under a major disaster, emergency, or disaster preparedness or mitigation activity or measure. As a result of the amendment to Section 324, 44 Code of Federal Regulations Part 207 Management Costs is no longer effective.

In addition, as amended, Section 324 requires FEMA to provide funding for management costs for Hazard Mitigation Grant Program (HMGP) projects at certain percentage rates. Specifically, a recipient who receives HMGP may be reimbursed “not more than 15 percent of the total amount of the grant award” of which “not more than 10 percent may be used by the recipient and 5 percent by the subrecipient.”

FEMA issued an interim policy implementing this amendment [HMGP Management Costs \(Interim\) Policy #104-11-1](#), (Interim Policy). FEMA received several questions from stakeholders regarding the implementation of the Interim Policy and these questions are addressed in this document.

This content is current as of **February 28, 2020**.

A. General Information

1. Does this policy apply to HMGP Post Fire grants?

Declarations prior to October 5, 2018

No. HMGP Post Fire grants resulting from Fire Management Assistance Grant (FMAG) declarations that were issued prior to October 5, 2018, are not included in this Interim Policy. These management costs will continue to be calculated at 4.89 percent.

Declarations on or after October 5, 2018

Yes. FEMA will provide management costs for HMGP Post Fire grants resulting from FMAG declarations issued on or after October 5, 2018, at 15 percent (10 percent for the recipient and 5 percent for the subrecipient). Refer to section D of the [HMGP Post Fire Policy #207-88-2](#) and the [HMGP Post Fire Policy fact sheet](#) for additional information about management costs.

2. Is a recipient required to offer management costs to subrecipients?

Yes. The recipient is required to provide an opportunity for subrecipients to apply for management costs.

The procedures for a subrecipient's management costs application must be explained in the recipient's Administrative Plan. These actions can be incorporated into existing processes, such as a pre-recipient briefing, and by adding a new section to the project application to collect management costs information. FEMA encourages the use of existing processes to manage and document management costs. Recipients must maintain records to document (e.g., briefing materials, application forms) that funding was made available to subrecipients.

3. What will happen if a recipient does not offer management costs to subrecipients?

Recipients are encouraged to work with their FEMA Region if they need additional assistance updating their Administrative Plan or need additional instruction on how to incorporate management costs into the Hazard Mitigation Grant Program.

The information below pertains to awards for which an Administrative Plan has already been approved under the [Code of Federal Regulations Title 44 CFR Part 207: Management Costs](#):

- FEMA will continue to provide no more than 4.89 percent of management costs for previously approved applications until November 15, 2019.
- If an Administrative Plan is not approved by November 15, 2019, FEMA will consider the recipient non-compliant and may take remedies for non-compliance found in the [Code of Federal Regulations Title 2 Section 200.338: Remedies for Noncompliance](#) until the Administrative Plan is approved by FEMA. Remedies for noncompliance include temporarily withholding cash payments and suspending the award.

FEMA will not approve an Administrative Plan that does not include procedures to offer management costs to subrecipients. Recipients may not receive HMGP without a FEMA-approved Administrative Plan.

B. Management Cost Eligibility

1. What administrative costs are eligible under management costs?

Administrative costs are expenses incurred by a recipient or a subrecipient in managing and administering the federal award to ensure that federal, state, or tribal requirements are met including:

- solicitation, development, review, and processing of subapplications;
- delivery of technical assistance;
- quarterly progress and fiscal reporting;
- project monitoring;
- technical monitoring;
- compliance activities associated with federal procurement requirements;
- documentation of quality of work verification for quarterly reports and closeout;
- payment of claims;
- closeout review and liquidation; and
- records retention.

Costs incurred for overhead expenses are typically covered via indirect costs rates.

2. What activities cannot be included under management costs?

Any activities that are directly related to a project are not eligible under management costs.

For example, architectural, engineering, and design services are project costs and cannot be included under management costs.

Similarly, construction management activities that manage, coordinate, and supervise the construction process from project scoping to project completion are project costs. These activities cannot be included under management costs.

3. Is staff time eligible for management costs?

Yes. Staff time can be eligible for management costs if the staff is undertaking activities related to the receipt and administration of HMGP funding. Staff salary costs may also be eligible for reimbursement under specific projects if the staff is undertaking activities related to project management and design activities as part of the project.

C. Application Process – Disasters Declared After October 5, 2018

Recipient Application Process

1. How does a recipient apply for management costs?

The process for recipients to apply for management costs has not changed. Recipients should continue to follow the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#) and the [Code of Federal Regulations Title 2 Part 200: Uniform Administration Requirements \(2 CFR 200\)](#).

2. When can recipients apply for management costs?

A request for initial management costs must be submitted by recipients before the HMGP application deadline. Additional funds cannot be applied for after the HMGP application deadline.

Subrecipient Application Process

3. Is a subrecipient required to apply for management costs?

No. Subrecipients are not required to apply for management costs. The Hazard Mitigation Officer should have procedures to document a subrecipient's decision not to apply for management costs. Subrecipients will not be able to apply for management costs after the application period is closed.

4. How does a subrecipient apply for management costs?

Management costs are not automatically provided or calculated for HMGP. Recipients establish the procedures which subrecipients must use to apply for management costs. Subrecipients must meet all application and [Code of Federal Regulations Title 2 Part 200: Uniform Administration Requirements \(2 CFR 200\)](#) and may apply for no more than 5 percent of their total subaward amount for management costs.

As part of the application process, subrecipients must provide a budget and narrative describing their anticipated management costs activities and expenses. On behalf of subrecipients, recipients apply for management costs to FEMA. For more information, subrecipients should contact their respective Hazard Mitigation Officer.

5. What should the subrecipient include in the management costs estimate?

The Hazard Mitigation Officer can provide the procedures and requirements for management costs to subrecipients. In general, a Hazard Mitigation Officer will request a budget and a narrative.

Typically, a non-construction budget for management costs will include the following cost categories: personnel, fringe benefits, travel, equipment, supplies, contractual, and indirect costs. A brief narrative may be required to identify what the funds will be used for. These are required fields in the [Application for Federal Assistance form \(SF-424A\)](#).

For more information, please refer to the Application and Submission Information: Considerations for Project Subapplications ([FEMA Hazard Mitigation Assistance Guidance \(2015\)](#)¹).

6. Can previously approved budgets be amended to move administrative activities and application development expenses to management costs?

Yes. In order to amend a previously approved subaward, include either a scope of work or a budget amendment.

Prior approval from FEMA is needed to amend a subaward and move project costs to management costs. A change request is permitted if it is consistent with the program guidelines and regulations. All requests to move administrative activities and/or application development must be made in writing. For more information about the procedures, subrecipients should consult with their respective Hazard Mitigation Officers.

It is important to submit a request for a change prior to the end of the application period or retroactive deadline for qualifying disasters.

- If a recipient or subrecipient does not apply for management costs by the application deadline, management costs will no longer be available for the remainder of the project.
- If management costs were approved prior to the end of the application period, they can be amended as needed, using the budget and scope of work amendment procedures.
- If the subrecipient reduces or moves funds from a project budget to a management costs budget, the amount of funds available for management costs will also be reduced.

The subrecipient cannot request more than 5 percent of the total amount of the grant subaward.

If there is a cost underrun because of scope, schedule, or budget changes, approval from FEMA will be required to re-direct funds within the same subaward.

¹ Part IV.H

7. Can subrecipients still apply for management costs if they have already submitted a project subapplication but the application period is still open?

A Hazard Mitigation Officer can work with subrecipients to amend submitted project subapplications. Eligible costs included in the initial subapplication can be re-categorized as management costs and submitted under a separate budget line item.

If subrecipients choose to re-categorize costs, this will reduce the total subapplication award that serves as the basis for the management costs estimate. The subrecipient can request no more than 5 percent of the total amount of the subapplication award for management costs.

D. Application Process – Disasters Declared Between August 1, 2017 and October 5, 2018

Recipient Application Process

1. If the initial application has been submitted, what is the management costs process for awards with an open application period?

Prior to the end of the application period, recipients must use the budget and scope of work amendment process to modify previous applications.

If additional time is needed, recipients should request an extension to the application period following the process found in the Additional Program Guidance: Submission of HMGP Subapplications section in the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#)².

2. What is the management costs process for awards with a closed application period?

Recipients must submit budget and scope of work amendment requests by March 2, 2020. If additional time is needed, recipients should submit a written request with justification to their FEMA region following the process found in the Additional Program Guidance: Submission of HMGP Subapplications section in the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#)³. FEMA may extend the submission deadline in 30 to 90-day increments.

Subrecipient Application Process

3. Is a subrecipient required to apply for management costs?

No. Subrecipients are not required to apply for management costs. The Hazard Mitigation Officer should have procedures to document a subrecipient's decision not to apply for

² Part VIII.A.7

³ Part VIII.A.7

management costs. Subrecipients will not be able to apply for management costs after the application period is closed.

4. What is the management costs application process for approved subawards?

Subrecipients who think they are eligible for management costs are encouraged to work with their Hazard Mitigation Officer to amend a previously submitted subapplication including the budget and scope of work. Subrecipients should follow procedures provided by their Hazard Mitigation Officer. Since the recipient must submit budget amendments prior to March 2, 2020, they may set an earlier submission deadline to leave time to review and submit the request.

Please refer to the budget change procedures in the Administrative and National Policy Requirements section in the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#)⁴ for information on how to amend subawards. Subrecipients are not required to request management costs for previously submitted subapplications. The Hazard Mitigation Officer should have procedures to document a subrecipient's decision not to apply for management costs.

5. What is the management costs application process for closed subawards?

For this type of request, recipients should discuss this with the appropriate FEMA Region. This type of request will be evaluated on a case by case basis.

For the questions about “amending previously approved budgets to move administrative activities and application development expenses” and “subrecipients applying for management costs after submitting a project subapplication,” refer to Section C questions 6-7 in this document.

E. Monitoring Requirements

1. What is “quarterly reconciliation” and what does it mean in the context of management costs?

The documentation requirements in the Interim Policy state that recipient and subrecipient management costs be reconciled on a quarterly basis. Quarterly reconciliation is part of the quarterly financial and performance reports required in the Award Administration Information: Reporting Requirements section of the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#).⁵

⁴ Part VI.D

⁵ Part VI.E.

Quarterly financial reporting and data analysis is the process of receiving and analyzing financial information, reported by the recipient and subrecipient, to gauge progress and compliance with award requirements and to gain reasonable assurance that funds do not exceed allowable or approved amounts. FEMA analyzes the data for the recipient. The recipient analyzes data for the subrecipient.

F. Administrative Plan

1. What is required in the Administrative Plan update to receive management costs?

The Administrative Plan must be updated to address procedures for applying, monitoring, and reporting on subrecipient management costs to receive management costs. Checklists with minimum requirements are available in the National Emergency Management Information System (NEMIS) and online ([here](#)).

2. When does the Administrative Plan need to be reviewed?

A recipient should review and update its Administrative Plan annually. Recipients also must review and update the Administrative Plan following a Presidential major disaster declaration or Fire Management Assistance Grant declaration ([here](#)), if required, to meet current policy guidance or changes to the administration of the program.

G. Availability of Management Costs Awards and Obligations

1. Will the entire amount of management costs be available to recipients for award?

No, the amount of management costs that are available for award will depend on several factors. As outlined in the Interim Policy:

- Up to 25 percent of the estimated management costs may be applied for at 30 days (up to 35 percent for recipients with Enhanced Mitigation Plan and who also have a Program Administration by States (PAS) designation).
- Up to 50 percent of the estimated management costs may be applied for at six months (up to 75 percent for recipients with Enhanced Mitigation Plan and who also have a Program Administration by States (PAS) designation).
- Up to 100 percent of the estimated management costs may be applied for at 12 months (subject to 3 percent withheld until closeout or 2 percent withheld for recipients with Enhanced Mitigation Plan and who also have a Program Administration by States (PAS) designation).

While the management costs application may be determined as eligible for funding, FEMA can only obligate the approved increment. Additional increments remain unfunded until subsequent approvals from FEMA are obtained. The recipient's incremental funding will depend on the budget / schedule provided by the recipient.

In addition to the incremental funding, management costs are subject to withholding. For recipients with an Enhanced Mitigation Plan and a Program Administration by States (PAS) designation, FEMA will withhold 2 percent of the recipient management costs award. For other recipients, FEMA will withhold 3 percent of the recipient management costs. FEMA will provide the withheld funding after the recipient closes the last non-management cost HMGP project.

2. Will all of the management costs subaward be obligated at one time?

It can vary. The Interim Policy requires management costs to be obligated in increments sufficient to cover recipient and subrecipient needs, for no more than one year, unless contractual agreements require additional funding. FEMA has established a threshold where annual increments will be applied to larger awards allowing smaller awards to be fully obligated. The table below explains how obligations will be handled by the size of the total subaward (federal share and required non-federal share).

Total Award Amount	Obligation Timeframe
Recipient Management Costs for Subaward	
Over \$1 million	<ul style="list-style-type: none"> Recipient management costs for subawards greater than \$1 million will follow FEMA’s Strategic Funds Management (SFM) process. The SFM process may or may not be on an annual obligation cycle and will follow the SFM process described in the FEMA Hazard Mitigation Assistance Guidance (2015). FEMA and the non-federal entities will review the budget and work schedule to ensure that the project supports incremental obligation. FEMA will execute obligations in increments, based on the project meeting an established project milestone schedule, until the project is completed.
\$500,000 - \$1 million	<ul style="list-style-type: none"> Recipient management costs for subawards between \$500,000 and \$1 million will be obligated by FEMA in increments sufficient to cover recipient and subrecipient needs for no more than one year, unless contractual agreements require additional funding. The increment amount will be determined based upon the applicant’s budget and schedule. The number of increments will be determined by the length of period of performance (one increment per year).
Under \$500,000	<ul style="list-style-type: none"> Recipient management costs for subawards under \$500,000 can be fully obligated at time of award except for closeout withholding.

Total Award Amount	Obligation Timeframe
Subrecipient Management Costs for Subaward	
Over \$1 million (management costs equal to or more than \$50,000)	<ul style="list-style-type: none"> Subrecipient subawards over \$1 million (or management costs equal to or more than \$50,000) will follow FEMA’s Strategic Funds Management (SFM) process. The SFM process may or may not be on an annual obligation cycle and will follow the SFM process described in the FEMA Hazard Mitigation Assistance Guidance (2015). FEMA and the non-federal entities will review the budget and work schedule to ensure that the project supports incremental obligation. FEMA will execute obligations in increments, based on the project meeting an established project milestone schedule, until the project is completed.
\$500,000 - \$1,000,000 (managements costs between \$25,000 and \$50,000)	<ul style="list-style-type: none"> Subrecipient subawards between \$500,000 - \$1 million (or management costs between \$25,000 - \$50,000) will be obligated by FEMA in increments sufficient to cover recipient and subrecipient needs for no more than one year unless contractual agreements require additional funding. Amount of increments determined based on applicant’s management costs budget and schedule.
Under \$500,000 (management costs under \$25,000)	<ul style="list-style-type: none"> Subrecipient subawards under \$500,000 (or management costs under \$25,000) can be fully obligated by FEMA at time of award.

Subrecipients will only receive management costs in conjunction with the award of a project. HMA will advance management costs to recipients in the first year, prior to the establishment of the HMGP ceiling.

Regardless of when subawards are obligated, if the total amount of the grant award is adjusted for any reason, FEMA will deobligate management costs that exceed the 15 percent cap (10 percent for recipient and 5 percent for subrecipient) based on updated calculations.

Following are some examples showing an initial project application and an adjusted project application:

- If the subrecipient submits a project application with a budget of \$600,000, the subrecipient can apply for up to \$30,000 in management costs (i.e., 5 percent of \$600,000). If the subrecipient is awarded \$30,000 for management costs, the initial obligation amount is the amount needed for the first year of the project, and then an additional amount will be obligated annually each subsequent year based on need until the \$30,000 is reached.

If the project application is later adjusted to \$400,000, the subrecipient's management costs subaward would be reduced accordingly (equal to or less than \$20,000, i.e., 5 percent of \$400,000). In this example, FEMA could fully obligate the management costs subaward because it would be below the threshold of \$25,000 and no longer subject to incremental funding. The additional amount obligated would depend on the amount previously obligated and the total amount obligated could not exceed 5 percent of the project award.

3. How will FEMA determine the amount of each annual increment?

When incremental obligation is required, the recipient and the subrecipient should review their management costs schedule, budget, and narrative to determine when the funds will be needed. The recipient and subrecipient must develop their management costs financial plan by budget (or fiscal) year and include a roll up of all budget years projected to submit to FEMA for review and approval. This requirement is to ensure the recipient and subrecipients adequately plan for expending management costs through the lifecycle of the award and ensuring there is enough funding through the close-out phase.

For subrecipients, the initial incremental amount will be entered into the management costs tab in the NEMIS project application. After the recipient has reviewed current progress and determined that the next increment of funds is needed, the recipient must request funds from FEMA using the budget amendment procedures in the Award Administration Information: Budget Changes section of the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#).⁶ FEMA reviews the recipient's request and if the recipient/subrecipient is ready to expend additional funds they will obligate the next increment of funding. This is generally done on an annual basis, though exceptions can be made when justified.

4. How much of recipient management costs is being withheld until closeout?

The Interim Policy requires that 3 percent of the recipient management costs award be withheld until closeout to encourage timely closeout of the Hazard Mitigation Grant Program award.

For recipients with an Enhanced Mitigation Plan and who also have a Program Administration by States (PAS) designation, FEMA will reduce the withholding to 2 percent of the recipient management costs award. FEMA will provide the withheld funding after the recipient closes the last non-management cost HMGP project. To request funds, the recipient should use the budget amendment procedures in the Award Administration Information: Budget Changes section of the [FEMA Hazard Mitigation Assistance Guidance \(2015\)](#).⁷ The withholding does not apply to the subrecipient's management costs award, only the recipient's award.

⁶ Part VI, D.3

⁷ Part VI, D.3

H. Reasonable Costs

1. What are reasonable costs?

Reasonable cost is defined in the [Code of Federal Regulations Title 2 Section 200.404: Reasonable Costs](#) and is further outlined in the [Public Assistance Reasonable Cost Evaluation Job Aid](#), which HMGP has adopted with some adjustments for program differences ([crosswalk here](#)). In general, a cost is considered reasonable if it is not more than what a prudent person would spend given the circumstances at time of expense or follows the non-federal entity's established purchasing policies.

FEMA generally considers a recipient or subrecipient's force account labor, equipment, and material costs reasonable if the costs are consistent with the entity's established policies, including but not limited to pay rates, labor policies, and cost schedules used during its normal operations.

Contract costs are generally considered reasonable when the recipient or subrecipient adheres to full and open competition under applicable federal procurement requirements, and the scope of services or work in the contract and level of effort is consistent with the eligible scope of work. Procurement standards are found in [Code of Federal Regulations Title 2 Sections 200.317-200.326: Procurement Standards](#).

2. What type of documentation is needed to determine if costs are reasonable?

The initial application for management costs must include a description of activities, personnel requirements, and other costs for which the recipient will use the management cost funding and a statement that the administrative requirements of the [Code of Federal Regulations Title 2 Part 200: Uniform Administration Requirements \(2 CFR 200\)](#) have been met. The documentation must show that the recipient and subrecipients have budgeted enough funds for award closeout (i.e., that management funds will not run out before award closeout). FEMA will conduct periodic monitoring visits and may require additional information (i.e., purchasing policies, hiring policies) to ensure compliance with local and state requirements and [Code of Federal Regulations Title 2 Part 200: Uniform Administration Requirements \(2 CFR 200\)](#).

The documentation in a management costs application will be used by FEMA to determine if costs are reasonable and will support necessary management activities throughout the period of performance.

- A description of activities, personnel requirements, and other costs for which the recipient will use the management costs.
- The plan for expending and monitoring the funds and ensuring enough funds are budgeted for closeout.

3. How do I analyze costs before submitting to FEMA?

The purpose of cost analysis is to determine if a cost is reasonable and necessary for the approved scope of work. The following questions should be considered when analyzing costs:

- Is the cost generally recognized as necessary to perform the work?
- Is the cost in accordance with sound business practices, arm's length bargaining, federal, tribal, state, local and other laws and regulations, and award requirements?
- Is the cost comparable with market prices of similar goods and services?
- Did individuals act with prudence and take this action in the best interest of both their community and the federal government?
- Did the applicant deviate from established practices and policies regarding incurrence of costs?

4. How does FEMA conduct a reasonable cost analysis?

In conducting a reasonable cost analysis, FEMA performs a review when federal funds are applied for, budgeted, and or expended. The method used will depend on the type of activities proposed in the management costs application such as is the applicant proposing to use "force-account" resources or "contracted resources." FEMA will then evaluate the costs for the approved scope of work and see if they are comparable to relevant current market prices for similar goods or services. FEMA will use the best information available at the time, which may include the following resources:

- *Validation of recipient and subrecipient cost or price analysis.* Per the [Code of Federal Regulations Title 2 Section 200.323\(a\): Contract Cost and Price](#), non-state applicants must perform a cost or price analysis in connection with each procurement in excess of the Simplified Acquisition Threshold. FEMA may request this documentation to evaluate reasonable costs. The cost or price analysis is one component of documentation that a recipient may use to support that its costs are reasonable. FEMA may use the methodologies described below to evaluate costs both in conjunction with, and in the absence of, this information, as appropriate.
- *Historical costs and average weighted unit prices.* FEMA will use grant data to compare costs with historical costs for similar goods and services.
- *Published unit costs, industry standard information resources.* FEMA may use industry cost data for similar goods and services in the same geographic area.
- *Comparable costs of other applicants.* FEMA may compare costs with a different applicant with a properly procured contract for similar goods and services in the same geographic areas.
- *Use of least cost alternative or low bid.* In situations when the lowest bidder was not selected, FEMA may request procurement documentation on all bids and the applicant's selection criteria to evaluate reasonable costs and justify the increased costs.