

U.S. Department of Homeland Security
Louisiana Transitional Recovery Office
One Seine Court, Suite 1027
New Orleans, LA 70114
(504) 762-2018 office
(504) 762-2899 fax



FEMA

April 22, 2010

Mark DeBosier
Deputy Director - Disaster Recovery Division
GOHSEP
State of Louisiana
415 North 15th Street
Baton Rouge, LA 70802

RE: Eligibility of Direct Management Costs
GOHSEP; FIPS # 000-U04DB-00
FEMA-1603/1607/1786/1792-DR-LA

Dear Mr. DeBosier:

This letter is in response to ongoing discussions between FEMA and GOHSEP regarding the eligibility of Direct Management Costs. The Disaster Mitigation Act of 2000 (DMA2K) allows for the funding of direct costs incurred by Applicants in the development of each project worksheet (PW) on an actual cost basis. Prior to this, costs incurred by Applicants were funded only as indirect under the administrative allowance authorized for each PW. As a result of the letter issued by Mr. Tony Russell on October 20, 2009 for Hurricanes Katrina and Rita, FEMA can reimburse Applicants for these costs (see attached). Since Applicants had no requirement to track these tasks and costs separately, FEMA is committed to working with GOHSEP and Applicants towards adequately capturing and reimbursing the direct costs incurred retroactive to the date of this letter, that can be funded pursuant to the DMA2K guidance.

However, it is imperative that as of the date of this letter, Applicants track the tasks performed and the costs incurred to each PW. Proration or other cost assignment methods cannot be considered for Direct Management Cost reimbursement, subsequent to the date of this letter.

Direct Management Costs are costs for grants management activities necessary to obtain FEMA Public Assistance funding and are attributable to a specific eligible project. Eligible direct costs are comprised of tasks directly associated with complying to federal grant funding requirements, and can be tracked, charged and accounted to a specified PW. Eligible activities are tracked by the task performed, the individual performing the task and the amount of time to perform the task. FEMA will reimburse Applicants for the reasonable costs to perform eligible activities. Typical activities necessary and reasonable to receive federal funding are those described in

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correspondence from Mr. Tony Russell dated October, 20, 2009. Prior to reimbursement, each activity will be evaluated for reasonableness of rate, amount of time to perform and skill level of person performing the task.

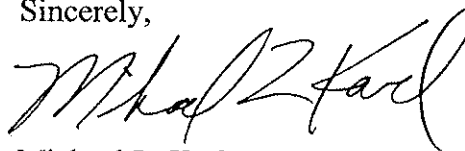
Direct Management tasks are distinctly different from Project Management (PM) and Architectural and Engineering (A&E) services for a project. Regardless of federal funding, the PM and the A&E services, as well as Direct Management tasks required to complete a project, are tracked and funded separately. Similarly, some Grants Management tasks (whether performed via force account or contract labor) may include additional services that are not eligible for Direct Management Cost funding. For example, kick-off meetings and exit briefings that discuss the overall program are not eligible for Direct Management Cost funding. The costs incurred by the Applicant for common or joint purposes satisfying the reporting requirements of more than one PW are not readily definable at the individual PW level. Direct Management Costs do not allow allocation of indirect costs. These costs may be offset through the sliding scale administrative allowances currently provided through the FEMA Public Assistance grants.

Actual incurred costs will be reviewed for eligibility and reasonableness. Additional expenses can be included as long as they are directly attributed to one specific PW. Future Direct Management Costs can be estimated by task, rate and level of effort. An estimate of Direct Management Costs, such as labor and equipment costs and other expenses will be attached to the PW. These estimated costs cannot be based on a percentage of project costs.

Again, as of the date of this letter, all Direct Management Costs must be properly documented. Historical costs will be evaluated on a case-by-case basis to determine eligibility for costs that were incurred prior to this date.

Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,



Michael L. Karl
Acting Deputy Director, Programs
Louisiana Transitional Recovery Office

Enclosure

cc: Mark S. Riley, Chief of Staff, GOHSEP