

Sub-Recipient Management Costs (SRMC)

**Hazard Mitigation Grant Program(HMGP)
Guidance for sub-applicants and Sub-Recipients
January 2022**



Brief Overview of SRMC



Disaster Recovery Reform Act (DRRA)

- Section 1215 – Management Costs. This provision addresses FEMA’s reimbursement of administrative costs incurred by Recipients (State) and Sub-Recipients (local governments, etc.) for the management Hazard Mitigation Grant Program (HMGP) Projects.
 - It increases the total amount of management costs eligible for reimbursement and expands the definition of management costs to include both direct and indirect administrative costs associated with a project.
 - https://www.fema.gov/sites/default/files/2020-07/fema_DRRA-annual-report_2019.pdf
- **HMGP**
 - Up to 5 percent of the total award amount for HMGP for the SR
 - The HMA Guidance and the FEMA Policy # 104-11-1 (Interim) refer to the Recipient in regard to Management Costs



Hazard Mitigation Grant Program Management Costs (Interim)

- [FEMA Policy # 104-11-1 \(Interim\)](#)
- The DRRRA applies to all major disasters declared on or after August 1, 2017.
- Following the DRRRA, FEMA Interim Policy #104-11-1 (Interim) was published, and superseded existing management cost regulations found in 44 CFR Part 207. FEMA released the interim policy to help recipients and subrecipients understand, as well as request, management costs if desired.
- Under this new policy, HMGP projects awarded under disasters, on or after the effective date, are eligible for SRMC up to a hard cap of 5 percent of their eligible and actual project costs.
- Any SRMC that exceeds 5 percent of actual eligible project costs will be de-obligated. SRMC is a separate pool of funding and will not be calculated as part of the benefit-cost analysis (BCA).
- SRMC will be reimbursed at a 100 percent federal cost share following the submission of compliant source documentation.



So, What Is SRMC?

- **Sub-Recipient Management Costs** are any administrative expenses, indirect costs, and any other expenses that are reasonably incurred by a sub-recipient in administering and managing a HMGP grant award. (Previously called Project Management).
- When considering SRMC eligible costs, think about the following:
 - Is the activity required by the Local, State, or Federal government in order to keep the grant in compliance?
 - Is the activity grant related or project related?
 - Think of required documents – Quarterly Reports, Reimbursements, Procurement, preparing HMGP applications, monitoring sub-contractors.
 - The kind of things to Administer the project – not complete the project
 - Overseeing the management of a project



Eligible Activities for SRMC

- solicitation, development, review, and processing of subapplications;
- quarterly progress and fiscal reporting;
- project 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;
- records retention;
- Technical monitoring (incurred by the Sub-Recipient for site visits and meetings related to the project – oversight)

[HMA management-cost-faq 3-23-2020.pdf](#)

[Hazard Mitigation Assistance Guidance \(2015\) Part III E.1.5](#)



SRMC is Not...

- Any activity that is directly related to a project is not eligible under SRMC.
- Costs associated to complete the approved project
- Activities pertaining to architectural, construction, design, and engineering are not eligible SRMC costs, as they are project costs.
- 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 SR management costs.



Significant Changes

- Project Management costs for administrative expenses are no longer allowed in the project budget.
 - Direct Project Management such as, Construction Management remain in project budget.
- On a typical 75% Federal 25% Local Match SR can receive up to 5% of the project budget with supporting documentation.
- These cost are not subject to a cost match by the SR (they can get up to 100% federal with supporting documentation up to the 5% cap).
- For those projects with a less than 75% federal share a pro-rated amount will be calculated.
- SRMC Request must be submitted at the time of the application. These are based on estimated cost unless requesting pre-award SRMC (application development supporting documentation required at application submission time).



SRMC Request Supporting Documentation

- SRMC Request submitted with application
 - Pre-award cost request must include:
 - Supporting documentation is required for SRMC pre-award requests
 - SRMC Personnel Activity Report (in-house)
 - Invoices (Subcontractor)
 - SRMC should be on a separate invoice from project costs
 - Proof of Payment (check stubs, etc.)



HMGP Application and Post-Award Resources

<https://www.floridadisaster.org/dem/mitigation/hazard-mitigation-grant-program/>



RFR Supporting Documentation

- Request for Reimbursement (RFR) Workbook
 - SRMC Personnel Activity Report (In-house personnel)
 - SRMC for In-house personnel must be on a separate form per employee and reported on the RFR SRMC Summary sheet separately.
 - Invoices (Subcontractor) (separate from direct project costs)
 - Proof of Payment (check stubs, cancelled check, EFT, Bank statements, etc.)
 - SRMC must be on a separate invoice(s) from project costs invoices and reported on the summary as separate line items.



Requesting Additional Obligations

- **SRMC Partially obligated**
 - One year obligated – additional funds need to be requested.
 - The SR must submit all expenditures for year one (awarded) in order to make the next request.
- **SRMC Modification** – used for requesting additional obligation
 - **Contact your Mitigation Project Manager**



2 CFR 200 – HMA Management Costs

- SRMC funds are not automatically provided or calculated for HMGP. Subapplicant must apply for SRMC funds at application submittal
- All costs must be **reasonable, allowable, allocable, and necessary** as required by 2 CFR Part 200 Subpart E, applicable program regulations, and HMA Guidance (2015).
- SRMC must meet the uniform administrative requirements for a federal award found in 2 CFR Part 200; in particular, records retention, closeout, and audit.



Reasonable Costs

- 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.



Frequently Asked Questions

FAQs



THE FLORIDA DIVISION OF EMERGENCY MANAGEMENT

Can you have PM Costs and SRMC?

- Yes. A project can have both PM Costs and SRMC.
- The term “Project Management Costs” (PM Costs) is vague and is often utilized for construction management, project oversight, and project overhead (indirect project costs). Many projects do incur such costs. - **list as Construction Management costs.**
- Details of all tasks performed is required on all invoices submitted for reimbursement – clearly defined.
- Project Costs and SRMC must be invoiced separately per project.



Can I have Pre-award SRMC costs?



Yes.



Pre-award SRMC is available for HMGP application development. No other activities qualify as pre-award SRMC.



Supporting documentation is required at application submittal for pre-award SRMC.



Pre-award SRMC and the SRMC amount together cannot exceed the 5% cap.



What may trigger an SRMC MOD to FEMA?

- Project Costs
 - An Increase/Decrease to the total project budget will require recalculation of the 5% SRMC allowed.
 - A new SRMC Request Form must be submitted
- Changes (more than 10% between cost categories)...
 - Personnel
 - Contractual Services
 - Indirect Costs
- Consult your Project Manager



What can cause the SRMC cap to be less than 5% of the total project costs?

- If your project cost share is below a 75/25 split, then your SRMC award will be modified.
- The SRMC Request form auto-calculates the correct amount.
- If your project cost share is funded at a 75/25 split, then FEMA will award the SRMC up to 5% of the total eligible project costs.



Why is there an annual budget for these funds?



SRMC is subject to Strategic Funds Management (SFM)



Obligations under \$25,000.00 can be fully obligated by FEMA at the time of the award.



Obligations over \$25,000.00 must be spread out over the life of the grant.

Can I use some of my Phase I obligation in Phase II?



Yes and No.



All costs incurred in Phase I are subject to the 5% cap for Phase I



All costs incurred in Phase II are subject to the 5% cap for Phase II



You can have less costs for each phase; however, neither phase can exceed its own cap, even if the total project cap is not exceeded.

- If there are project costs remaining in Phase I – that are being moved to Phase II, then the corresponding amount of SRMC can also be moved to Phase II
- SRMC alone cannot be transferred from one Phase to the other.





Additional Questions?

- For any additional questions or concerns, please feel free to reach out to your State HMGP assigned Project Manager
- Or email us at
 - DEMSRMCHelpdesk@em.myflorida.com
 - CC: FDEM Project Manager
 - Subject: SRMC Assistance



FEMA Guidance and Resources

Hazard Mitigation Assistance Guidance

- https://www.fema.gov/sites/default/files/2020-07/fy15_HMA_Guidance.pdf

Hazard Mitigation Assistance Guidance (2015) – HMGP Management Costs (Interim) Policy Crosswalk

- https://www.fema.gov/sites/default/files/2020-07/hmgrp_management_costs_hma_guidance_crosswalk.pdf

HMGP Management Costs (Interim) — FEMA Policy # 104-11-1

- https://www.fema.gov/sites/default/files/2020-07/section1215_interim_fp104111_hmgrp.pdf

Frequently Asked Questions: HMGP Management Costs Policy (Interim)

- https://www.fema.gov/sites/default/files/2020-07/hma_management-cost-faq_3-23-2020.pdf

Disaster Recovery Reform Act (DRRA) – Annual Report – October 2019

- https://www.fema.gov/sites/default/files/2020-07/fema_DRRA-annual-report_2019.pdf

