

MEMORANDUM FOR: ALL STAFF

FROM: Michael Byrne
Federal Coordinating Officer
DR-4336-Puerto Rico
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SUBJECT: Obligation Requirements and
Advancement/Reimbursement Requirements

Because of the magnitude and associated costs of the response and recovery efforts following Hurricanes Irma and Maria, FEMA has implemented manual drawdown procedures for the release of Public Assistance (PA), Hazard Mitigation, and Individual Assistance (IA) funds in Puerto Rico.

There has been confusion regarding the documentation requirements to support the obligation of funding versus the requirements to support manual drawdown. At times we will be able to obligate more funds than Puerto Rico will be able to disburse or reimburse based on the requirements of the manual drawdown process. The below summarizes the process and document requirements.

If you have any questions regarding obligation requirements, please contact Molly Evancho (202-815-2949; Mary.Evancho@fema.dhs.com). If you have any questions about advancement/reimbursement requirements, please contact Dominique Lenox (202-718-2167; Dominique.Lenox@fema.dhs.gov).

Obligation Requirements - Project Worksheets (PWs)

In general, the documentation requirements to support obligation are no different than what is required in any recovery operation and include documentation to support:

1. The scope of work is required as the result of the event;
2. For completed work, the actual costs are associated with the eligible scope of work and otherwise eligible.
 - a. 100% validation of documentation supporting costs **is not necessary**. Sampling documentation to support 20% of the costs claimed is sufficient.
 - b. If the validation is successful and a thorough scope of work is included in the PW, 100% of the costs claimed can be obligated.
3. For work to be completed, the cost estimate to complete the eligible scope of work must be reasonable and be supported by some basis. The basis of the cost estimate must be described in the scope of work.

Specific documentation requirements are summarized in Chapter 3 of the *Public Assistance Program and Policy Guide*.

There are two scenarios in Puerto Rico where additional supporting documentation is required prior to obligation:

1. Versioning an Expedited Project Worksheet to increase costs:
 - a. Prior to obligating additional funding for an Expedited PW, FEMA must confirm that the applicant has already spent the funds **previously drawn down** by reviewing documentation supporting actual costs (sampling documentation to support 20% of the costs is sufficient). If the applicant has not actually spent the funding, but has a contract and/or invoices to support the amount previously disbursed, that documentation would also be sufficient to allow obligation of a version to an Expedited PW.
 - b. In the version, FEMA must also further define the scope of work and the eligibility of that scope.
2. Obligating a multi-million dollar PW:
 - a. Although there is no policy that establishes a specific amount, the Office of Management and Budget (OMB) generally requires additional documentation supporting the timeframe in which an applicant will spend the funds obligated when the obligation is over \$20 million. The purpose of this type of request is to avoid obligation of large dollar amounts only to have the funding sit in SMARTLINK for a lengthy period of time.
 - b. For obligations over \$20 million, documentation supporting specific burn rates or a spend plan from the applicant is encouraged to allow for a smoother review as the PW proceeds through the Large Project Notification (LPN) queue.

Advancing/Reimbursing Funds - Processing 270 Requests (Manual Drawdown)

In order to receive grant funding, recipients must submit the Standard Form (SF) 270: Request for Advancement or Reimbursement. Currently FEMA is utilizing the SF-270 as an instrument to disburse funding to recipients.

The SF-270 request must be accompanied by corresponding documentation certified by the State Program Officer, or their designee, supporting the amount being requested is eligible, allowable, reasonable, and aligns with the approved budget and any appropriate procurement documents.

1. For estimated PWs, FEMA may allow advance drawdowns limited to the minimum needed for the project to allow work to proceed (not to exceed 60 days).
 - a. These requests must be accompanied by a budget and supporting documentation, such as purchase orders, invoices, contracts, letters of intent.
 - b. FEMA will review and validate 20% of the supporting documentation to support the requested funding.
 - c. The applicant must provide documentation to support drawdowns within 60 days and prior to any subsequent advances.
2. For PWs based on actual costs, FEMA will provide reimbursements based on the 270 request and supporting documentation.
 - a. FEMA will review and validate 20% of the supporting documentation to support the requested funding (e.g., invoices and proof of payment).

In both cases, if 20% cannot be validated, FEMA will review an additional 20% of the supporting documentation and work with the applicant to provide additional information. The approved payment will be released to the recipient by HHS in SMARTLINK.

Attached is a 270 Project Worksheet Process that describes these requirements and the 270 Manual Drawdown Standard Operating Procedures for your reference.

Definitions

Advance: Post-obligation payments in advance of expenditure or disbursement of funds to itself, sub-recipients, or contractors, limited to the immediate cash requirements of the non-federal entity in carrying out the purposes of the project or scope of work. Cash Management Improvement Act principles of limiting the amount of time of cash on hand must be followed. Per 31 CFR 205.33, the time limit is considered to be no more than 3 days and funds drawn down from HHS by the Commonwealth must be paid in accordance with the actual, immediate cash requirements of the State.

Obligation: FEMA's binding agreement to pay the recipient, immediately or in the future, in accordance with the terms of the assistance award. Obligation may occur when authorized FEMA staff approve and execute the agreement, or incrementally after execution of the agreement. FEMA's action to obligate – or conversely to deobligate – an amount serves to make available to a recipient an authorized level of funding, but does not result in the transfer of funds to or from the recipient.

Reimbursement: Post-obligation payment after the recipient has incurred costs.

SF-270: Standard Form for advances and disbursement.