



BEST PRACTICE

Ensuring Adequate Documentation of Costs to Support Claims For Disaster Recovery Assistance (2008) (CAAFR)

Background. Many governments each year must face the challenge of disasters. Financial assistance frequently is available from one or more levels of government (e.g., Federal Emergency Management Agency – FEMA, state). Accountants in the public sector must ensure that the governments they serve collect and maintain adequate documentation on reimbursable costs to take full advantage of this assistance.

Recommendation. The Government Finance Officers Association (GFOA) urges state and local government financial managers to take all necessary steps to ensure that they will be able to collect and maintain adequate documentation on disaster-related costs to support maximum reimbursement from all levels of government that offer such assistance, including the following:

1. Establish Formal Policies and Procedures for the documentation of disaster-related costs

- a. Every government should establish written policies and procedures on how to account for disaster-related reimbursable costs. These policies and procedures should be:
 - i. included within the government’s overall disaster recovery plan,
 - ii. reviewed *and tested* annually,
 - iii. updated at least once every three years;
- b. Both financial and nonfinancial staff should receive training on these policies and procedures;
- c. Financial and nonfinancial staff also should receive training on FEMA requirements and guidelines, as well as those of other assistance providers;¹
- d. Finance staff should review and approve all costs submitted by program staff before those costs are assigned to an emergency account;
- e. An “emergency disaster” clause should be incorporated into all contracts for goods and services that might be needed in the event of a disaster to ensure that those goods and services will be available on a timely basis at a reasonable price. Also, vendors should be required to supply the necessary level of detail in their billing to support reimbursement (e.g., detailed breakdown of labor v. materials);
- f. Bids and contracts should be reviewed in advance for compliance with relevant reimbursement requirements;
- g. Adequate controls should be set in place for inventories of emergency supplies;
- h. Any provision for changes in compensation levels for salaried staff who work long hours in the event of a disaster should be properly approved and documented before a disaster occurs;
- i. Audit(s) from those providing reimbursement should be sought as soon as possible (e.g., request a separate audit of immediate response costs) to minimize the possibility of disallowance because additional requested documentation is no longer available; and

¹ Federal assistance may come from more than one agency (e.g., both the Federal Highway Administration and FEMA). In such cases, it is important to determine from the start which agency’s rules apply to a given project.

- j. If a government plans to use nonprofit organizations to provide certain types of assistance in the event of an emergency, it may wish to consider obligating itself by contract to using the services of selected nonprofit organizations so those costs can be eligible for reimbursement.

2. Ensure Adequate Detail to Support Claims

- a. To ensure sufficiently detailed documentation to support reimbursement of disaster-related costs, governments should:
 - i. Establish a supplemental chart of accounts specifically designed to collect data on disaster-related costs, including payroll, at a level of detail sufficient to meet grantor documentation requirements. The supplemental chart of accounts should, for example:
 - a. classify projects based on categories used by the government offering reimbursement (e.g., large projects v. small projects; emergency repairs v. permanent repairs)
 - b. track costs, at a minimum, at the project worksheet level
 - c. for staff hours, specify name, title, dates, times, and rates;
 - ii. Educate program staff in the various departments on the level of detail on costs required to substantiate claims for reimbursement;
 - iii. Collect and maintain appropriate nonfinancial data to support claims for reimbursement, such as the following:
 - a. “before and after” photographs of each repair, labeled by location (with map, as needed) and date
 - b. relevant correspondence
 - c. precise information on materials used (e.g., number of bricks v. square footage);
- b. Track volunteer hours (applicable to local share, even if not reimbursable); and
- c. Track local equipment usage (by hours actually used).

Approved by the GFOA’s Executive Board, February 22, 2008.