

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.036 DISASTER GRANTS – PUBLIC ASSISTANCE (Presidentially Declared Disasters)

I. PROGRAM OBJECTIVES

The objective of the Public Assistance (PA) program is to provide assistance for the response to and recovery from major disasters and emergencies declared by the President of the United States.

II. PROGRAM PROCEDURES

A. Overview

Following a Presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA), Department of Homeland Security (DHS), awards grants to assist State, tribal, and local governments and certain private nonprofit (PNP) entities with the response to and recovery from disasters. Specifically, through the PA Program, FEMA provides supplemental Federal disaster grants assistance for debris removal, emergency protective measures, and the restoration of disaster-damaged, publicly owned facilities and the facilities of certain PNP organizations. The PA program is based on a partnership with the recipient (State or tribal government) and FEMA and local officials. FEMA is responsible for managing the program, approving grants, and providing technical assistance to the State (or Indian tribal government) and applicants (subrecipients). The State, in most cases, acts as the recipient for the PA program and is responsible for providing technical advice and assistance to eligible subrecipients, providing State support for damage survey activities, ensuring that all potential applicants are aware of funding assistance available, and submitting documents necessary for grant awards (44 CFR sections 206.200 through 206.349). An Indian tribal government may also be a recipient. FEMA, the State (or Indian tribal government), and the applicant (subrecipient) are all responsible for grants awarded under the PA program.

FEMA also provides funding for costs incurred by States and their subrecipients in administering the PA program. For disaster or emergency declarations prior to November 13, 2007, the State receives a statutory administrative cost allowance determined according to a formula based on percentages of the aggregate Federal share of funding provided to subrecipients for approved PA projects. The State awards administrative cost allowances to subrecipients according to a formula based on percentages of the subrecipients' net eligible project costs. For disaster or emergency declarations on or after November 13, 2007, the State is eligible for management costs to administer the PA program. Management costs are defined as indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project. The available funding for management costs is based on a 3.34 percentage rate for disaster declarations and a 3.90 percentage rate for emergency declarations. The rate is applied to the projected Federal share of project funding. The State's request for management costs is subject to FEMA approval. A subrecipient may use management

cost funding made available by the State, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR parts 206 and 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

Performance Metrics

The Public Assistance Division currently uses the following measures of effectiveness in the area of accuracy, timeliness, efficiency and effectiveness

Accurate

Project Worksheets processed without revision before obligation
Projects Worksheets processed without revision after obligation

Timely

Timeliness from RPA Approval to Award Funds
Completion of Field Work within 180 days
Projects Completed
Projects Closed

Efficient

Reduce PA program travel costs for field operations.
Reduce Expenditures on PA Operational staff Salary and Benefits
Reduce Technical Assistance Contract (TAC) costs

Effective

Declarations closed

For purposes of the PA program, the following terms are used:

State – The State Agency that is defined as the recipient under FEMA regulations and acts as the grant administrator for the program.

Tribal government – Any federally recognized governing body of an Indian or Alaska Native tribe, band, nation, pueblo, village, or community that the Secretary of the Interior acknowledges to exist as an Indian tribe under the Federally Recognized Tribe List Act of 1994, 25 USC 479a. This does not include Alaska Native corporations, the ownership of which is vested in private individuals.

Subrecipient – The government or other legal entity to which a subgrant is awarded and which is accountable to the recipient for the use of the funds provided (44 CFR section 206.201(l)). (For example, in explaining this program, a State Highway Agency is considered a subrecipient of a State Emergency Agency even though both agencies may be included in the same statewide single audit.)

RA – The FEMA Regional Administrator.

B. Funding

PA program awards are made based upon a Project Worksheet (PW) prepared by a project formulation team. The project formulation team normally includes a representative of FEMA, the State, and the subrecipient. The PW documents the project formulation team's determination of the eligible scope of work and cost estimate. The PA program will fund a part of this eligible work in accordance with the FEMA-State Agreement. Each PW has a control number and any supplemental PWs will be referenced to the original PW.

Projects are classified as large or small projects according to the cost of the eligible work for the individual project. Section 422 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42, USC 5189 prescribes that small project grants under the PA program be adjusted annually to reflect changes in the Consumer Price Index (CPI) for All Urban Consumers, published by the Department of Labor. Projects with costs that equal or exceed this threshold are large projects; projects that cost less than the threshold are small projects. The threshold is adjusted each October to reflect changes in the CPI. The date the disaster is declared by the President determines the threshold in use for that project. The following table shows the threshold for fiscal years 2005 through 2017:

Threshold	Applicable Period
\$121,600	October 1, 2014-September 30 2015
\$121,800	October 1, 2015-September 30, 2016
\$123,100	October 1, 2016- September 30, 2017

1. *Small Projects*

Applicants are encouraged to develop their own estimates for small projects and prepare PWs to be submitted to FEMA. FEMA will validate a 20 percent sample of the small projects prepared by the applicant and verify that the scope of the work is eligible and the cost estimate is reasonable. If the sample passes this validation, FEMA accepts all small project PWs from the applicant and obligates the funds. If the sample fails, a second 20 percent is reviewed. If the second sample also fails, FEMA assigns a specialist to assist the applicant in reformulating and resubmitting all small projects to FEMA. A FEMA specialist is assigned to formulate an applicant's small projects when an applicant elects not to do so.

For small projects, final payment of the Federal share of eligible costs is made upon approval of the project. The amount awarded for small projects based on the PW generally will not change except under unusual circumstances, such as failure to complete the work, an unexpected insurance recovery, or an obvious error in calculation. At closeout of the disaster, the State is required to certify that all projects were properly completed and that the State met its cost-sharing contribution, as specified in the FEMA-State Agreement. However, this

certification does not specify the amount spent by a subrecipient on small projects. If the actual cost for small projects is less than the estimated cost on the PW and the scope of work is completed, FEMA will not ask for a refund. Similarly, FEMA generally will not provide additional funding when actual costs exceed the PW estimate. However, when a subrecipient has significant overruns, an appeal may be submitted to FEMA for additional funding based upon the total final costs for all small projects (44 CFR sections 206.204(e) and 206.205(a)).

2. *Large Projects*

For large projects, the State must make an accounting to FEMA of eligible costs for each approved large project. In submitting the accounting, the State must certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the FEMA-State Agreement, and that payments for the project have been made in accordance with 44 CFR section 13.21 or 2 CFR part 200 requirements for payment, as applicable. The subrecipient is required to make similar accounting and certifications to the State. If actual costs are less than the approved amount, then the FEMA share will be based upon the actual costs. The subrecipient may request additional funding for eligible cost overruns on large projects. For additional funding, these requests must include a written recommendation from the State and approval of the RA (44 CFR sections 206.204(e) and 206.205).

3. *Improved Projects*

If a subrecipient desires to make improvements, but still restore the pre-disaster function of a damaged facility, State approval must be obtained. Federal funding for an improved project is limited to the Federal share of the approved estimate of the eligible costs to repair or replace the disaster-damaged facility. The Federal share will only restore the pre-disaster capacity of the damaged or destroyed facility. For example, if eligible work to restore the pre-disaster capacity is \$100,000, and the subrecipient chooses to rebuild an improved facility that costs \$200,000, then the FEMA share is only based on the \$100,000. However, if the actual cost is less than the eligible work of \$100,000 (e.g., construction costs are much lower than expected), then a FEMA adjustment is required (44 CFR section 206.203).

4. *Alternate Projects*

In a case where the subrecipient determines that the public welfare would not be best served by restoring a damaged public facility, the State may request that FEMA approve an alternate project. This option is available only for permanent, restorative work. Funds contributed for alternate projects may be used to repair or expand other selected public facilities, to construct new facilities, or to fund hazard mitigation measures. These funds may not be used to pay the non-Federal share of any project or for any operating expense (44 CFR section 206.203(d)(2)).

Funds approved for an alternate project can be used only for alternate projects specifically approved by FEMA. While the States and subrecipients have flexibility to propose the type and size of alternate projects they wish to construct, FEMA must review such proposed projects to ensure compliance with environmental and other special concerns (44 CFR section 206.203).

C. Other

1. *Eligibility of Force Account Labor Straight-Time Costs under the Public Assistance Program for Hurricane Sandy*

The Sandy Debris Removal interim final rule, 77 FR 67285, published November 9, 2012, amends 44 CFR section 206.228(a)(2) to allow for the reimbursement of the straight- or regular-time salaries and benefits of an eligible applicant's permanently employed personnel who perform disaster-related debris and wreckage removal work. The rule is applicable for all emergencies or major disasters declared on or after October 27, 2012, in response to Hurricane Sandy, for work performed under Sections 403(a)(3)(A), 502(a)(5), and 407 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), 42 USC 5170b(a)(3)(A), 5192(a)(5), and 5173. This rule applies to State and local governments, Indian tribes or authorized tribal organizations, and certain PNPs (see Recovery Fact Sheet 9580.215

https://co.monmouth.nj.us/documents/29/RP9580_215_DebrisRemovalForceAccountLaborCosts_Sheet.pdf).

2. *Alternative Procedures*

The Sandy Recovery Improvement Act of 2013 (Pub. L. No. 113-2) amended Title IV of the Stafford Act (42 USC 5121 *et seq.*) (Stafford Act) by adding Section 428, which authorizes FEMA to implement alternative procedures for the PA program, under Sections 403(a)(3)(A), 406, 407, and 502(a)(5) of the Stafford Act, through a pilot program.

3. *Alternative Procedures for Debris Removal Pilot*

This pilot is authorized for major disasters and emergencies declared on or after June 28, 2013, the sole exception is FEMA-4117-DR-OK, which was authorized previously by the President specifically for that major disaster declaration. FEMA extended this pilot program to June 28, 2019 to enable collection of additional data that will be used to evaluate the effectiveness of the alternative procedures and inform decisions as to which alternative procedures should be permanently incorporated in the PA program.

For major disasters and emergencies declared between June 28, 2013 and June 27, 2014, the debris removal alternative procedures, with the exception of reimbursement for straight-time force account labor, are for large projects only. For major disasters and emergencies declared on or after June 28, 2014, all of the

debris removal alternative procedures can be applied to both small and large projects.

- a. *Accelerated Debris Removal--Increased Federal Cost Share (Sliding Scale) Procedure* – Provides an increased Federal cost share via a sliding scale to incentivize subrecipients to initiate and complete debris removal operations quickly after a disaster. Unless FEMA authorizes an extension, e.g., when unusual circumstances delay the start or completion of work, FEMA will limit the amount of time to complete debris removal activities to 180 days from the start of the incident. Direct Federal Assistance (DFA) is not available to subrecipients using this procedure. After analyzing the effectiveness of this procedure FEMA ended its use for all major disasters declared on or after June 28, 2018.

Debris Removal Completed (Days from Start of Incident Period)	Federal Cost Share
1–30	85%
31–90	80%
91–180	75%

Note: Federal dollars will NOT be provided for debris removal after 180 days unless FEMA authorizes an extension in writing

- b. *Debris Management Plan Procedure* – Provides a one-time two (2) percent Federal cost share increase for the first 90 days when a subrecipient has a FEMA-accepted Debris Management Plan and has pre-qualified one or more debris removal contractors before the declaration.
 - c. *Straight-Time Force Account Labor Procedure* – Provides reimbursement of base wages for a subrecipient’s own employees that perform or administer debris removal.
 - d. *Recycling Revenue Procedure* – Allows subrecipients to retain program income received from recycled debris if used for activities that will improve debris removal operations in the future. After analyzing the effectiveness of this procedure, FEMA ended its use for any major disasters declared on or after June 28, 2018.
4. *Alternative Procedures for Permanent Work Pilot*

The alternative procedures pilot for permanent work is effective for major disasters declared on or after May 20, 2013. FEMA may also approve subgrants using the alternative procedures for major disasters declared before this date if construction has not begun. This pilot will remain in place until FEMA promulgates and adopts revised regulations that reflect the program changes the law authorizes.

- a. *Subgrants Based on Fixed Estimates* – Subrecipients may receive subgrants based on fixed estimates within 12 months of the declaration.

This provides subrecipients with the flexibility to repair or rebuild a facility as it deems necessary for its operations with no requirement to rebuild to pre-disaster design, capacity or function.

- b. *Consolidation of Fixed Estimate Subgrants* – Subrecipients may combine two or more fixed subgrants into a single fixed subgrant within 12 months of the declaration date. This feature allows flexibility to execute work across multiple facilities or sites in ways that support a subrecipient’s post-disaster recovery needs.
- c. *Elimination of the Reduction in Eligible Costs for Alternate Projects* – FEMA will not implement the reduction (per Sections 406(c)(1) and 406(c)(2) of the Stafford Act) on alternate projects.
- d. *Use of Excess Funds* – Subrecipients may use excess funds for cost-effective activities that reduce the risk of future damage, hardship, or suffering from a major disaster and other activities to improve future PA operations or planning when the actual cost of the work is less than the fixed amount.
- e. *Review of Estimates by an Expert Panel* – Subrecipients may request a FEMA-funded, independent validation of estimates for permanent work subawards with an estimated Federal share of at least \$5 million. FEMA requires validation of estimates for permanent work subawards with an estimated Federal share of at least \$25 million.

Source of Governing Requirements

This program is authorized by 42 USC 5121 *et seq.* Program regulations issued by FEMA are codified at 44 CFR sections 206.200 through 206.349.

Availability of Other Program Information

Additional program information is available on the FEMA website at: <http://www.fema.gov/public-assistance-local-state-tribal-and-non-profit>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the Federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. **When a compliance requirement is shown in**

the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	N	N	Y	Y	N	N	Y	Y	N

A. Activities Allowed or Unallowed

The allowed activities for the PA program are for the approved project as described on the PW and supporting documentation. The approved project may be repair or replacement of the damaged facility, an improved project, or an alternate project (44 CFR section 206.203).

B. Allowable Costs/Cost Principles

1. Equipment Usage

The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower. Provision is also made when no rates are established or the entity wishes to claim an equipment rate that exceeds the FEMA Schedule (44 CFR section 206.228(a)(1)).

2. Administrative Costs

a. Recipient

For major disaster or emergency declarations before November 13, 2007, a State may use funds made available by FEMA under its administrative cost allowance only for extraordinary direct costs of preparing PWs, final inspection reports, project applications, etc., and for making final audits and related field inspections. Specific cost items allowable for such purposes include overtime pay, per diem and travel expenses for State employees, but not regular (straight time) salaries. Cost items not eligible

for funding from the State's administrative cost allowance, but still related to managing the program, may be funded from the grant if prescribed in an approved PW (44 CFR sections 206.228(a)(2) and (a)(3) and interim final rule, 44 CFR section 207.9, effective November 13, 2007 (72 FR 57878, October 11, 2007)).

For major disaster or emergency declarations on or after November 13, 2007, a State may request funds from FEMA for management costs, which include indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred in administering and managing the program within dollar ceilings and timeframes established by regulation (interim final rule, 44 CFR sections 206.207 and 206.228 and part 207, effective November 13, 2007 (72 FR 57876 through 57878, October 11, 2007)).

b. *Subrecipient*

For major disaster or emergency declarations prior to November 13, 2007, a subrecipient may use funds made available in its administrative cost allowance for necessary costs to request, obtain, and administer its subgrant. No other direct or indirect costs are allowable at the subrecipient level (44 CFR sections 206.228(a)(3) and interim final rule, 44 CFR section 207.9, effective November 13, 2007 (72 FR 57878, October 11, 2007)).

For disaster or emergency declarations on or after November 13, 2007, a subrecipient may use management cost funding made available by the State, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR sections 206.207 and 206.228 and part 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

3. *Force Account Labor Costs*

The straight- or regular-time salaries and benefits of a subrecipient's permanently employed personnel are not eligible in calculating the cost of eligible work for emergency protective services or debris removal under Sections 403 and 407 of the Stafford Act (42 USC 5170b and 5173, respectively). For performance of eligible permanent restoration under Section 406 of the Stafford Act (42 USC 5172), straight-time salaries and benefits of a subrecipient's permanently employed personnel are eligible (44 CFR section 206.228(a)(2)).

4. *Insurance and Other Recoveries*

Auditors are advised that there are likely to be amounts from insurance settlements, salvage, or other sources that must be considered in determining allowable costs because allowable costs must be net of applicable credits (42 USC 5155).

G. Matching, Level of Effort, Earmarking

1. Matching

- a. Costs must be on a shared basis, as specified in the FEMA-State Agreement. In general, the minimum Federal share is 75 percent of eligible costs (44 CFR section 206.65). The non-Federal share that is split between the State and each subrecipient may vary. The accountability for meeting the matching requirement resides with the State and is determined at the time of project accounting as part of project closeout (i.e., the non-Federal share does not have to be met until the end of the project).

However, matching requirements for alternate projects vary from this general rule and fall into one of two categories:

- (1) *Public facilities.* Eligible costs for public facilities are 90 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.

Basic Calculation:

\$100,000 – Eligible damage

_____ × .75 - % Federal Cost Share

\$ 75,000 – Subtotal

_____ × .90 – of Federal Cost Share

\$ 67,500 – Maximum amount subrecipient may receive.

In this example, the subrecipient must spend at least \$75,000 on the approved alternate project to receive \$67,500. If the subrecipient spends less than the alternate project amount, then the Federal cost share would be 75 percent of the actual amount spent.

- (2) *Private non-profit facilities.* Eligible costs for PNP facilities are 75 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.

Basic Calculation:

\$100,000 – Eligible damage

_____ × .75 - % Federal Cost Share

\$ 75,000 – Subtotal

_____ × .75 – of Federal Cost Share

\$ 56,250 – Maximum amount subrecipient may receive.

In this example, the subrecipient must spend at least \$75,000 on the approved alternate project to receive \$56,250. If the subrecipient spends less than the alternate project amount, then the Federal cost share would be 75 percent of the actual amount spent.

- b. There is no matching requirement for PA grants made to Louisiana, Mississippi, Florida, Alabama and Texas in connection with Hurricanes Katrina, Wilma, Dennis and Rita (Title IV, Pub. L. No. 110-28).

2. Level of Effort

Not Applicable

3. Earmarking

- a. For major disaster or emergency declarations prior to November 13, 2007, the State makes funding available to subrecipients for their direct costs to request, obtain, and administer PA projects according to the following formula: (a) three percent of the subrecipient's first \$100,000 of net eligible project costs; (b) two percent of the subrecipient's next \$900,000 of such costs; (c) one percent of the subrecipient's next \$4 million of such costs; and (d) one-half of one percent of the subrecipient's net eligible costs over \$5 million (interim final rule, 44 CFR section 207.9(b)(2), effective November 13, 2007, 72 FR 57878, October 11, 2007).
- b. For major disaster or emergency declarations on or after November 13, 2007, the State makes management cost funding available to subrecipients, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR sections 206.207 and 206.228 and part 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement* – Applicable only to those non-Federal entities who do not utilize the Department of Health and Human Services, Payment Management System.

b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

c. *SF-425, Federal Financial Report* – Applicable

2. Performance Reporting

Not Applicable

3. Special Reporting

Not Applicable

N. Special Tests and Provisions

Project Accounting

Compliance Requirements For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subrecipient must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the applicable payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Audit Objectives Determine whether ongoing and completed projects were accounted for in accordance with the required certification.

Suggested Audit Procedures

Projects not completed – Select a sample of ongoing large projects and ascertain if costs submitted for reimbursement were in compliance with the requirements for eligible work under the applicable PW. Testing should consider the differences in the requirements and approvals required of improved and alternate projects.

Completed projects – Select a sample of large projects completed during the audit period and ascertain if the entity's files document the total costs as allowable costs and if the costs are for allowable activities under the applicable PW. This testing should consider the differences in the requirements and approvals required of improved and alternate projects.

IV. OTHER INFORMATION

Non-Federal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the non-Federal entity's PW, and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years

subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years.

For example,

1. If FEMA approves the PW in the non-Federal entity's fiscal year 2014 and eligible expenditures are incurred in the non-Federal entity's fiscal year 2015, the non-Federal entity records the eligible expenditures in its fiscal year 2015 SEFA.
2. If the non-Federal entity incurs eligible expenditures in its fiscal year 2014 and FEMA approves the non-Federal entity's PW in the non-Federal entity's fiscal year 2015, the non-Federal entity records the eligible expenditures in its fiscal year 2015 SEFA with a footnote that discloses the amount included on the SEFA that was incurred in a prior year.

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.039 HAZARD MITIGATION GRANT PROGRAM (HMGP)

I. PROGRAM OBJECTIVES

The purpose of the Hazard Mitigation Grant Program (HMGP) is to mitigate the vulnerability of life and property to future disasters during the recovery and reconstruction process following a disaster. HMGP provides funds to implement projects to reduce risk from future hazard events in accordance with priorities identified in State, Indian tribal government, Territory, or local hazard mitigation plans. It also provides funds designed to develop State, Indian tribal government, and local mitigation plans that meet the planning requirements outlined in 44 CFR part 201.

II. PROGRAM PROCEDURES

HMGP is a cost-shared program administered by the Federal Emergency Management Agency (FEMA), Department of Homeland Security (DHS). FEMA provides HMGP awards to States and federally recognized Indian tribal governments (recipients), which, in turn, may provide subawards to State agencies, local governments, Indian tribal governmental agencies, and other eligible entities (subrecipients). Each recipient administers the HMGP according to a FEMA-State or FEMA-Indian tribal government Agreement, a comprehensive Standard or Enhanced Mitigation Plan, and a State or Indian tribal government HMGP Administrative Plan. These plans must be approved by FEMA before funds are awarded to the State or Indian tribal government. FEMA is responsible for approving or denying project applications and reviewing the recipient's quarterly and final reports.

FEMA also provides funding for costs incurred by recipients and their subrecipients in administering HMGP. For Federal disasters declared prior to November 13, 2007, the recipient receives a statutory administrative cost allowance determined according to a formula based on percentages of the aggregate Federal share of funding provided to subrecipients for hazard mitigation projects. Management costs not covered by the allowance may be allowed with FEMA prior approval. The recipient awards statutory administrative cost allowances to subrecipient according to a formula based on percentages of the subrecipient's net eligible project costs. If requested, management costs are awarded as a part of the HMGP ceiling.

For Federal disasters declared on or after November 13, 2007, FEMA makes available funds for costs incurred by recipients and their subrecipients in administering and managing HMGP. These costs are now termed "management costs" and include any indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred by a recipient or subrecipient in the administration and management of HMGP. Recipients may identify and make available a percentage or amount of pass-through funds for management costs to their subrecipients. The basis, criteria, or formula for equitable distribution is determined by the recipient and must be included in the FEMA-approved State or Indian tribal government HMGP Administrative Plan before funds for management costs can be awarded. Management costs are not subject to the Federal funding limits for HMGP projects (see III.G.1,

“Matching, Level of Effort, Earmarking – Matching”), and are provided in addition to the HMGP Program Ceiling.

Application and Award Process

After determining that disaster relief and recovery needs cannot be met with resources available within the State, the Governor requests a Presidential major declaration designating the State a disaster area. Indian tribal governments may also submit a request for a major disaster declaration within their impacted area. Applicants have up to 12 months from the date the disaster is declared to review and submit applications. The application must identify the specific mitigation measure(s) for which the State or Indian tribal government requests funding, and any entities to which the recipient intends to make subawards.

In addition to submitting applications and supporting documents to FEMA, the recipient’s Authorized Representative appoints a State Hazard Mitigation Officer. This official ensures that all potential applicants are made aware of the assistance available under the HMGP and provides technical advice and assistance to eligible subrecipients. Indian tribal governments can receive HMGP assistance as subrecipients of States or apply directly to FEMA. Where FEMA provides an award directly to an Indian tribal government, the two entities enter into a FEMA-Tribal agreement modeled on the FEMA-State agreement.

Source of Governing Requirements

HMGP is authorized by Section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (the Stafford Act), 42 USC 5170c. Program regulations are codified at 44 CFR parts 80; 201; 206, subpart N (Hazard Mitigation Grant Program); and 207.

1. Performance Metrics

Performance metrics for this program are as follows:

- Quarterly Progress Reports (QPR)

FEMA uses the QPR data reported by the Recipient to evaluate project status and identify potential funding issues (e.g. cost overruns). The scorecard below evaluates the status and progress of quarterly progress reporting for all obligated projects using the following three criteria:

- Timeliness
- Regions submitted to HQ on time
- Data Completeness
- Critical data elements that are reported on each project – Cost Code, Status, Percentage Work Complete, Total Recipient Drawdown, and Sub-recipient Expenditures to date

- Data Reasonableness and Accuracy
- Comparative data analysis between current and previous QPRs
- Closeout

FEMA (HMA) distributes closeout updates to help Regional HMA Branch Chiefs and closeout POCs remain focused on closeout performance measures and established priorities for the fiscal year.

1. Disaster Closeout Initiative (DCI) Reports show progress and work remaining to close grant awards 8 years beyond the declaration date. The monthly report provides detailed information concerning the number of projects open in each disaster, the Period of Performance end dates for each HM Program and Period of Availability end date for State Management Cost.
2. HM Only Program Open Reports provide a list of HM Programs that, if closed, would allow closure of FEMA-State Agreements.
3. HM Program Closeout Performance Report provides the monthly HMGP closeout performance status, by region. Regional goals to achieve expectation and excellence are established at the beginning of the fiscal year.
4. Government Performance and Results Act (GPRA) Reports provide a summary of the progress made each month toward closing FEMA-State Agreements/FEMA-Tribal Agreements (FSA/FTA) targeted for closure during the fiscal year.

- Obligations

Aligning the 2014-2018 FEMA Strategic Plan, Strategic Priority 4: Enable Disaster Risk Reduction Nationally and Objective 4.2: Incentivize and facilitate investments to manage current and future risk, FEMA measures the aggregate of HMGP obligations per annual year.

- Obligate HMGP grants
 - Achieved Expectations
 - Achieved Excellence

Availability of Other Program Information

Other program information is available at <http://www.fema.gov/hazard-mitigation-grant-program>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the Federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. **When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.” See the Safe Harbor Status discussion in Part 1 for additional information.**

A	B	C	E	F	G	H	I	J	L	M	N
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	N	Y	N	N	Y	N	N

A. Activities Allowed or Unallowed

The activities allowed for an HMGP project are those described in the grant application approved by FEMA and the supporting documentation. All projects funded must also conform to the State’s and/or Indian tribal government’s (when applying directly to FEMA) comprehensive Hazard Mitigation Plan. Additionally, all subaward projects funded under HMGP must be in accordance with priorities identified in the Indian tribal government or local hazard mitigation plans (44 CFR sections 201.6 and 201.7). Eligible projects include, but are not limited to:

1. Structural hazard control or protection projects;
2. Construction activities that will result in protection from hazards;
3. Retrofitting of facilities;
4. Property acquisition or relocation;
5. Development of State, Indian tribal government, or local mitigation standards;

6. Development or improvement of warning systems; and
7. Development of a mitigation plan meeting the requirements of 44 CFR part 201. (44 CFR section 206.436(d)(2)).

B. Allowable Costs/Cost Principles

1. *Administrative Costs for Federal disasters declared prior to November 13, 2007*
 - a. *Recipient Direct Costs* – A State or Indian tribal government may use funds made available by FEMA under its administrative cost allowance only for extraordinary direct costs of preparing applications and quarterly reports and making final audits and related field inspections. Specific cost items allowable as direct administrative costs include overtime pay, per diem and travel expenses for State or Indian tribal government employees, but not their regular (straight-time) salaries. Cost items not eligible for funding from the State’s or Indian tribal government’s administrative cost allowance, but still related to managing the program, may be funded from the award if FEMA gives prior approval. Regular (straight-time) salaries may be funded in this way. In the case of staffing costs for the State’s or Indian tribal government’s portion of the Joint Field Office, FEMA gives prior approval by approving the State’s staffing plan (44 CFR section 207.9(b)(1)).
 - b. *Subrecipient Administrative Costs* – A subrecipient may use funds made available by the recipient in its administrative cost allowance only for direct costs of requesting, obtaining, and administering its subawards (44 CFR section 207.9(b)(2)).
 - c. *Indirect Costs* – Recipient indirect costs identified in accordance with the Federal cost principles are allowable. Indirect costs at the subrecipient level are unallowable (44 CFR section 207.9(c)).
2. *Management Costs for Federal disasters declared on or after November 13, 2007*
 - a. *Recipient* – A State or Indian tribal government may use funds made available by FEMA under its management cost allowance for any indirect costs, any administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred in administering and managing the HMGP. All charges must be in accordance with 44 CFR part 207.
 - b. *Subrecipient* – A State or Indian tribal government may identify and make funds for management costs available to subrecipients in accordance with the FEMA-approved HMGP Administrative Plan. A subrecipient may use funds made available for management costs for any indirect costs, administrative expenses, and other expenses not directly chargeable to a

specific project that are reasonably incurred in administering and managing the HMGP subaward (44 CFR section 207.6). See also definition of “Management Costs,” 44 CFR section 207.2.)

E. Eligibility

1. Eligibility for Individuals

Not Applicable

2. Eligibility for Group of Individuals or Area of Service Delivery

Not Applicable

3. Eligibility for Subrecipients

The following types of entities are eligible to apply for HMGP subawards. Additionally, an eligible entity must have a FEMA-approved Mitigation Plan to be eligible to receive a project subaward (44 CFR sections 201.6 and 201.7).

- a. State and local governments;
- b. Private non-profit organizations or institutions that own or operate a private non-profit facility as defined at 44 CFR section 206.221(e); and
- c. Indian tribal governments and Alaskan Native villages or organizations (44 CFR section 206.434(a)).

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement* – Applicable
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Applicable

2. Performance Reporting

Not Applicable

3. Special Reporting

Not Applicable

IV. OTHER INFORMATION

In the administration of this grant, the State or Indian tribal government may provide subaward funds to another part of the State (e.g., a State agency) or designated area within an Indian tribal government. If the part of the State or Indian tribal government receiving the subaward is included in the audit of the State, such as a State-wide audit, or Indian tribe, as applicable, then for purposes of determining Type A programs and reporting on the Schedule of Expenditures of Federal Awards, these subawards within the single audit reporting entity (State or Indian tribe) should be eliminated. However, all Federal awards expended under this program (including subawards) are subject to 2 CFR part 200, subpart F.

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.067 HOMELAND SECURITY GRANT PROGRAM (HSGP)

I. PROGRAM OBJECTIVES

The purpose of the Homeland Security Grant Program (HSGP) is to support State, local, tribal, and territorial efforts to prevent acts of terrorism and other catastrophic events, and to prepare the Nation for the threats and hazards that pose the greatest risk to the security of the United States. The HSGP supports core capabilities across the five mission areas of Prevention, Protection, Mitigation, Response, and Recovery. The building, sustainment, and delivery of these core capabilities are not exclusive to any single level of government, organization, or community, but rather, require the combined effort of the whole community. HSGP is comprised of three grant programs: State Homeland Security Program (SHSP), Urban Area Security Initiative (UASI), and Operation Stonegarden (OPSG). Together, these grant programs fund a range of activities, including planning, organization, equipment purchase, training, exercises, and management and administration across all core capabilities and mission areas.

State Homeland Security Program: The SHSP assists State, tribal and local preparedness activities that address high-priority preparedness gaps across all core capabilities where a nexus to terrorism exists. All supported investments are based on capability targets and gaps identified during the Threat and Hazard Identification and Risk Assessment (THIRA) process and assessed in the State Preparedness Report (SPR).

Urban Area Security Initiative: The UASI program addresses the unique risk-driven and capabilities-based planning, organization, equipment, training, and exercise needs of high-threat, high-density urban areas based on the capability targets identified during the THIRA process and associated assessment efforts and assists them in building an enhanced and sustainable capacity to prevent, protect against, mitigate, respond to, and recover from acts of terrorism.

Operation Stonegarden: OPSG supports enhanced cooperation and coordination between United States Border Protection (USBP) and local, tribal, territorial, State, and Federal law enforcement agencies in a joint mission to secure the United States' borders along routes of ingress from international borders to include travel corridors in States bordering Mexico and Canada, as well as States with international water borders.

II. PROGRAM PROCEDURES

All 56 states and territories, which includes any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, are eligible to apply for SHSP funds. The State Administrative Agency (SAA) is the only entity eligible to submit HSGP applications to DHS/FEMA, including those applications submitted on behalf of UASI and OPSG applicants. Tribal governments may not apply directly for HSGP funding; however, funding may be available to tribes under the SHSP and OPSG through the SAA.

Eligible high-risk Urban Areas for the FY 2018 UASI program have been determined through an analysis of relative risk of terrorism faced by the 100 most populous Metropolitan Statistical Areas (MSAs) in the United States. Sub-awards will be made by the SAA to the designated Urban Areas

Eligible subrecipients under OPSG are local units of government at the county level and federally recognized tribal governments in the States bordering Canada, States bordering Mexico, and States with international water borders. All applicants must have active ongoing USBP operations coordinated through a USBP sector office. Subrecipients eligible to apply for and receive a subaward directly from the SAA are divided into three Tiers. Tier 1 entities are local units of government at the county level or equivalent and Federally-recognized tribal governments that are on a physical border in states bordering Canada, states bordering Mexico, and states and territories with international water borders. Tier 2 eligible subrecipients are those not located on the physical border or international water but are contiguous to a Tier 1 county. Tier 3 eligible subrecipients are those not located on the physical border or international water but are contiguous to a Tier 2 eligible subrecipient. Tier 2 and Tier 3 eligible subrecipients may be eligible to receive funding based on border security risk as determined by the USBP

Source of Governing Requirements

These programs are authorized under the FY 2011 Department of Defense and Full-Year Continuing Appropriations Act (Pub. L. No. 112-10); and the Consolidated Appropriations Act, 2012, Division D (Pub. L. No. 112-74); the Consolidated and Further Continuing Appropriations Act, 2013 (Pub. L. No. 113-6); the Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76); the Department of Homeland Security Appropriations Act, 2015 (Pub. L. No. 114-4); the Department of Homeland Security Appropriations Act, 2016 (Pub. L. No. 114-113); the Department of Homeland Security Appropriations Act, 2017 (Pub. L. No. 115-31); and *Department of Homeland Security Appropriations Act, 2018* (Pub. L. No. 115-141). There are no program regulations. The applicable program guidance is incorporated by reference into awards and becomes part of the terms and conditions of award.

1. Performance Metrics

Performance metrics for this program are as follows:

SHSP and UASI:

- Percent improvement in Stakeholder Preparedness Review (SPR) capabilities against Threat and Hazard Identification and Risk Assessment (THIRA) targets.
- Percent of states and territories with a THIRA and SPR that meet current DHS/FEMA guidance.

OPSG:

- Percent of funding that provides intelligence-based operational support.

- Percent of funding that provides force multiplier activities across two or more state, local, or tribal law enforcement agencies.

Availability of Other Program Information

Additional information concerning this Program is available at <https://www.fema.gov/homeland-security-grant-program>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements have been identified as subject to the audit (noted with a “Y” in the summary matrix below), and then determine which of the compliance requirements that are subject to the audit are likely to have a direct and material effect on the Federal program at the auditee. For each such compliance requirement subject to the audit, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit. **When a compliance requirement is shown in the summary below as “N,” it has been identified as not being subject to the audit. Auditors are not expected to test requirements that have been noted with an “N.”** See the Safe Harbor Status discussion in Part 1 for additional information.

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Y	Y	N	N	N	N	Y	N	N	Y	Y	Y

A. Activities Allowed or Unallowed

1. *Activities Allowed*

- a. Funds may be used to enhance the capability of State, local, tribal, and territorial jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices, and other catastrophic events. Allowable activities include

management and administrative costs, the hiring of intelligence analysts, overtime costs for specific purposes, the purchase of needed equipment, the provision of training and technical assistance, and the conduction of exercises. Funds may be used under the following cost categories: planning, organization, equipment, training and exercises.

- b. Funds may be used for management and administration (Consolidated Appropriations Act, 2012 (Pub. L. No. 112-74, 125 Stat. 961; Consolidated Appropriations Act, 2013 (Pub. L. No. 113-6, 127 Stat. 358; Consolidated Appropriations Act, 2014 (Pub. L. No. 113-76, 128 Stat. 262); Department of Homeland Security Appropriations Act, 2015 (Pub. L. No. 114-4, 129 Stat. 54); Department of Homeland Security Appropriations Act, 2016 (Pub. L. No. 114-113); the Department of Homeland Security Appropriations Act, 2017 (Pub. L. No. 115-31); and *Department of Homeland Security Appropriations Act, 2018* (Pub. L. No. 115-141).
- c. As directed by the Personnel Reimbursement for Intelligence Corporation and Enhancement (PRICE) of Homeland Security Act (Pub. L. No. 110-412), all personnel and personnel-related costs, including those of intelligence analysts and operational overtime, are allowed up to 50 percent of HSGP funding without time limitation placed on the period of time that such personnel can serve.
- d. OPSG funds may be used for operational overtime costs associated with law enforcement activities, in support of border law enforcement agencies for increased border security enhancement.

2. *Activities Unallowed*

- a. Funds awarded for law enforcement terrorism prevention activities under SHSP and UASI cannot be used for construction of facilities, except for a minor perimeter security project, not to exceed the greater of \$1,000,000 or 15 percent of the grant award, as determined necessary by the Secretary of Homeland Security.
 - (1) The erection of communication towers that are included in a jurisdiction's interoperable communications plan does not constitute construction.
 - (2) Subject to all applicable laws, regulations, and licensing provisions, projects for the installation of communication towers are typically eligible under the program. Such projects are not considered construction, and, therefore, are, not subject to the otherwise applicable funding limits on construction activities.

- b. HSGP funds may not be used to support the hiring of sworn public safety officers for purposes of fulfilling traditional public safety duties or to supplant traditional public safety positions and responsibilities (6 USC 609(b)(1)(A)).
- c. OPSG funds may not be used for the following:
 - (1) staffing (other than overtime) and general information technology computing equipment and hardware, such as personal computers, faxes, copy machines, and modems .
 - (2) hiring full-time or permanent sworn public safety officers.
 - (3) supplanting of inherent routine patrols and law enforcement operations or activities not directly related to providing enhanced coordination between local and federal law enforcement agencies.
 - (4) Constructing and/or renovating costs.
- d. HSGP funds may not be used for the purchase of weapons and weapons accessories, including ammunition, firearms; ammunition; grenade launchers; bayonets; or weaponized aircraft, vessels, or vehicles of any kind with weapons installed.
- e. HSGP funds may not be used for the reimbursement for the maintenance and/or wear and tear costs of general use vehicles (e.g., construction vehicles), medical supplies, and emergency response apparatus (e.g., fire trucks, ambulances).
- f. HSGP funds may not be used for equipment that is purchased for permanent installation and/or use, beyond the scope of the conclusion of any exercises.

L. Reporting

1. Financial Reporting

- a. *SF-270, Request for Advance or Reimbursement* – Not Applicable
- b. *SF-271, Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. *SF-425, Federal Financial Report* – Applicable

2. Performance Reporting

Not Applicable

3. Special Reporting

Not Applicable

N. Special Tests and Provisions

Subgrant Awards

Compliance Requirements States (with the exception of the District of Columbia, Guam, American Samoa, the U.S. Virgin Islands, and the Commonwealth of the Northern Mariana Islands) must obligate at least 80 percent of the funds awarded to them under SHSP and UASI to units of local or tribal government within 45 calendar days of receipt of the funds (6 USC 605(c)(1)). Recipients of OPSG funds must obligate 100 percent of their allocations to eligible jurisdictions within that same time frame. “Receipt of funds” occurs when the recipient accepts the award or 15 days after the recipient is notified of the award, whichever comes first. “Obligate” has the same meaning as in Federal appropriations law, i.e., there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subrecipient and, if applicable, accepted by the recipient.

Audit Objectives To determine if (1) the State complied with the requirement to obligate 80 percent of the funds awarded under SHSP and UASI and 100 percent of the OPSG allocation passed through to units of local or tribal government within 45 calendar days of receipt of the funds, and (2) subrecipient were able to draw down funds immediately following State obligation of funds.

Suggested Audit Procedures

- a. Determine if the State has written procedures for making SHSP, UASI, and OPSG subgrant awards to local and tribal governments, including any standards for administrative lead-time for obligation of funds and issuance of awards.
- b. Review the State’s written procedures, if any, for consistency with the compliance requirement.
- c. Determine if subgrant amounts were obligated by the State in a timely manner, consistent with SHSP, UASI, and OPSG requirements and the State’s own procedures.
- d. Select a sample of subgrant awards under these funding streams and review the subrecipients’ payment requests to determine if funds were disbursed by the State to the local or tribal government consistent with the dates of their subawards, i.e., the date of obligation.

IV. OTHER INFORMATION

When completing the Schedule of Expenditures of Federal Awards (SEFA), recipients should record their expenditures using the CFDA number(s) shown on the legal award document for the period in which the funds were awarded. Subawards issued by the primary recipient are legally binding agreements, and, therefore, CFDA numbers cited by the recipient in the subgrant award must be used by the subrecipient as the CFDA reference in the SEFA.

It also should be noted that, except as otherwise provided by statute, DHS awards of property and/or equipment are subject to the audit requirements of 2 CFR part 200, subpart F. A DHS policy statement that addresses this requirement is available at (http://www.dhs.gov/xopnbiz/grants/gc_1162481125903.shtm).