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BRIC: BUILDING RESILIENT INFRASTRUCTURE AND COMMUNITIES

State Project/Program: NC MITIGATION - PRE DISASTER MITIGATION PROGRAM

Federal Emergency Management Agency

Federal Authorization: §203 of the Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act)
44 CFR § 201.4 - Standard State Mitigation Plans
44 CFR § 206.2(a)(16)
2 CFR § 200 Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards

**N.C. Department of Public Safety
Division of Emergency Management**

Agency Contact Person – Program

Steve McGugan
NCEM Assistant Director
Hazard Mitigation
Division of Emergency Management
919-873-5843

Address Confirmation Letters To:

Jamelle White
NC Department of Public Safety
Controller’s Office
4220 Mail Service Center
Raleigh, NC 27699-4220
919.716.3613
Jamelle.White@ncdps.gov

Agency Contact Person – Financial

Tinishia Washington
Grants Manager, Hazard Mitigation
NC Department of Public Safety
Division of Emergency Management
919-873-5845

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

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I. PROGRAM OBJECTIVES

The purpose of PDM is to assist State, local governments and federally-recognized tribes to implement a sustained pre-disaster natural hazard mitigation program to reduce overall risk to the population and structures from future hazard events, while also reducing reliance on Federal funding in future disasters.

II. PROGRAM PROCEDURES

The PDM Grant Program is a state-administered federal program for which states and local communities submit project applications on behalf of the affected citizens in their communities. In North Carolina, the Division of Emergency Management, within the Department Public Safety administers PDM.

During the open application cycle, subapplicants (Territories, federally-recognized tribes and local communities) submit mitigation planning and project subapplications to the State. NCEM reviews project and planning applications for eligibility and cost. Eligible applications that meet FEMA Hazard Mitigation Assistance (HMA) Guidance requirements and the PDM Notice of Funding Availability on Grants.gov are forwarded to FEMA for consideration with all other eligible applications in a competitive process.

The amount of funding available for these projects is based on yearly PDM awards. FEMA may contribute up to 75 percent of the total eligible costs of each grant. At least 25 percent of the total eligible costs will be provided from a nonfederal source.

FEMA approves the State application and grants the award through a FEMA Award Letter.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined to be direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement

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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	Y	Y	Y	Y	Y	Y	Y	N

A. Activities Allowed or Unallowed

Compliance Requirement

Only relevant and necessary measures taken to eliminate future losses from natural hazards are allowed.

The test of eligibility of a given activity will be whether it contributes to a State or Community's capability to reduce losses to disasters. There are three types of PDM grants, (1) Planning Grants and (2) Project Grants and (3) Technical Assistance. Planning Grants may be used for the development of an all-hazards mitigation plan that meets the Division's established minimum criteria for local hazard mitigation plans. Project Grants may be used for the acquisition, elevation, reconstruction, or flood proof of NFIP-insured structures. PDM requirements change on an annual basis as described in the FEMA Hazard Mitigation Guidance (HMA), and FEMA Notice of Funds Availability notices on Grants.gov.

In order to qualify for a Project Grant, an applicant must have an adopted mitigation plan that addresses repetitive loss properties and has been approved by the Division and FEMA for purposes of the PDM Program. In addition, the project must:

- Meet HMA and Notice of Funds Availability requirements
- Be cost-effective;
- Be technically feasible;
- Conform with the adopted Local Mitigation Plan;
- Conform with applicable Federal and State regulations; and
- Be physically located in an eligible community.

Suggested Audit Procedures

- Review Hazard Mitigation Assistance Guidance and Notice of Funds Availability requirements and cross-check against awarded projects.
- Test expenditures and related records for adherence to approved budget activity.

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B. Allowable Costs/Cost Principles

Compliance Requirement

Costs for eligible activities in accordance with Hazard Mitigation Assistance Guidance must be reasonable, allowable, allocable, and necessary as required by 2 CFR Part 200 Subpart E, applicable program regulations, and this guidance.

Suggested Audit Procedures

- Review Hazard Mitigation Assistance Guidance and Notice of Funds Availability requirements and cross-check against awarded projects.
- Test expenditures and related records for adherence to approved budget activity.

C. Cash Management

Compliance Requirement

Funds are submitted to all sub-grantees on a reimbursement basis. The only exception to this is when an acquisition project is being closed on (real estate transaction) and the local government does not have sufficient funds on hand. In this case, a request is made for the exact amount of the closing amount.

Suggested Audit Procedures

Review Cost Reports to ensure that all payment requests are made on a reimbursement basis, except in circumstances when an advance has been made for a real estate closing in an acquisition and demolition project.

D. Reserve

E. Eligibility

Compliance Requirement

Eligibility for the PDM program is determined by the current edition of the FEMA Hazard Mitigation Assistance Program, and the Notice of Funds Availability on Grants.gov. Eligibility for program requirements can change on an annual basis, depending on FEMA policy changes with the PDM program. Each PDM program award in a given funding cycle must meet the relevant HMA and Notice of Funds Availability requirements.

Suggested Audit Procedures

- Review Hazard Mitigation Assistance Guidance and Notice of Funds Availability requirements and cross-check against awarded projects.
- Test expenditures and related records for adherence to approved budget activity.

F. Equipment and Real Property Management

Compliance Requirement

Federally-tracked equipment is not purchased under the PDM for either the pass-through entity nor sub-recipient. Real property is not directly managed by the pass-through entity, although local governments can acquire parcels of land under the PDM which are maintained in open space in perpetuity.

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Suggested Audit Procedures

Ensure that acquisition projects conform to FEMA open space requirements per the HMA Guidance by ensuring that monitoring is taking place during project implementation and closeout.

G. Matching, Level of Effort, Earmarking

Compliance Requirement

Based on HMA and Notice of Funds Availability requirements, matching for projects can vary in a given year. FEMA may contribute up to 75 percent of the total eligible costs of each grant. At least 25 percent of the total eligible costs will be provided from a non-Federal source. Small impoverished communities may be eligible for up to a 90 percent Federal cost share; only tribal applicants and subapplicants meeting the definition of small and impoverished are eligible for a non-Federal cost share of 10 percent for management costs.

Suggested Audit Procedures

- Review Hazard Mitigation Assistance Guidance, Notice of Funds Availability and FEMA Award Letters for matching totals for each project.
- Verify the source of the non-Federal matching funds letter(s).

H. Period of Performance

Compliance Requirement

PDM period of performance (POP) begins with the opening of the application period and ends no later than 36 months from the date of subapplication selection. However, the POP is subject to change based on changes in the HMA Guidance and Notice of Funds Availability. The FEMA Award Letter will affirm the assigned POP for each sub-award. A Grant Agreement between NCEM and the sub-recipient establishes the State POP, either mirroring the Federal PoP, or requiring a shorter timeframe based on programmatic decisions to complete ahead of schedule.

Suggested Audit Procedures

- Verify Federal POP in FEMA Award Letters
- Verify State POP in Grant Agreements either mirrors or is less than the Federal PoP.

I. Procurement and Suspension and Debarment

Compliance Requirement

The PDM Program follows 2 CFR Section 200.338 standard regarding Procurement, Suspension and Debarment.

Suggested Audit Procedures

- Confirm that sub-recipients have been provided information on CFR 2 Procurement, Suspension, and Debarment standards
- Confirm that sub-recipient contracting is being monitored by the pass-through entity throughout the Grants Management life cycle.

J. Program Income

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Compliance Requirement

FEMA encourages non-Federal entities to generate program income to help defray program costs. Program income is gross income received by the non-Federal entity directly generated by an award-supported activity or earned only as a result of the award during the award POP. Program income may be derived from use or rental of real or personal property acquired with award funds, and sale of commodities or items fabricated under the award. Subrecipients must deduct this income from total project costs as specified in 2 CFR Sections 200.80 and 200.307

Suggested Audit Procedures

- Confirm tracking of program income through reporting procedures and monitoring of reimbursement requests.
- Verification that any program income has been deducted from total project costs as specified in 2 CFR Section 200.307

K. Reserve

L. Reporting

Compliance Requirement

Quarterly financial and performance reports are due to FEMA on January 30, April 30, July 30, and October 30. The first quarterly reports are due within 30 days of the end of the first Federal quarter following the initial award. FEMA may waive the initial reports. The Recipient shall submit quarterly financial status and performance reports thereafter until the grant ends. Failure to submit financial and performance reports to FEMA in a timely manner may result in an inability to access grant funds until proper reports are received by FEMA. Recipients are encouraged to contact FEMA should this occur.

PDM recipients shall submit a quarterly FFR. Obligations and expenditures must be reported on a quarterly basis using the FFR (SF-425), which is due to FEMA within 30 days of the end of each calendar quarter (e.g., for the quarter ending March 31, the FFR is due no later than April 30). A report must be submitted for every quarter of the POP, including partial calendar quarters, as well as for periods where no activity occurs. Future awards and fund drawdowns may be withheld if these reports are delinquent. The final FFR is due 90 days after the end date of the POP.

PDM recipients shall submit a quarterly performance report SF-PPR for each award to include the following:

- Reporting period, date of report, and Recipient POC name and contact information.
- Project identification information.
- Significant activities and developments that have occurred or have shown progress during the quarter.
- Percent completion and whether completion of work is on schedule; a discussion of any problems, delays, or adverse conditions.
- Status of costs, including whether the costs are (1) unchanged, (2) overrun, or (3) underrun, and narrative to address change in cost status.

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- A statement of whether a request to extend the award POP is anticipated.
- Incremental funding amounts (SFM) and progress completed.
- For acquisition projects, the current status of each property for which settlement was completed in that quarter.
- Additional information as required by FEMA to assess the progress of an award.

PDM quarterly financial reports FFR must be submitted via PARS, and the SF-PPR must be submitted through the eGrants System.

Final reports must be submitted when it determines that all administrative actions and required work have been completed. This final report may be submitted prior to the end of the POP. The pass-through entity must submit a final SF-425 and Performance Report no later than 90 days after the end date of the POP, per 2 CFR Section 200.343.

Suggested Audit Procedures

Confirm that Quarterly Reports are being submitted to FEMA each quarter by DPS-Fiscal (financial) and NCEM (programmatic).

M. Subrecipient Monitoring

Compliance Requirement

Sub-recipients are monitored for PDM projects upon award and following execution of a Grant Agreement (project start-up/ "implementation meeting"), and during project closeout, when a final site inspection report is required. Field-based monitoring between these milestones takes place on an as-needed basis. Desk monitoring occurs via regular customer service interactions (Grant Contact Log), as well as by obtaining Monthly Progress Reports (Progress Reports) from sub-recipients.

Suggested Audit Procedures

- Confirm that Implementation meetings are being conducted during project start-up
- Confirm that closeout site inspections take place
- Confirm desk monitoring via customer service interactions (Contact Log) and monthly Progress Reports.

N. Special Tests and Provisions

Not applicable.