

14.231

EMERGENCY SOLUTIONS GRANT PROGRAM

State Project/Program: EMERGENCY SOLUTIONS GRANTS PROGRAM

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Federal Authorization: 24 Code of Federal Regulations (CFR) Section 576.1

N. C. Department of Health and Human Services
Division of Aging and Adult Services

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N. C. DHHS Confirmation Reports:

SFY 2020 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by mid-October at the following web address:
<https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports> At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2019-2020). Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2018-2020\)](#)”.

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.

The Division of Aging and Adult Services (DAAS) issues a Request for Applications (RFA) each fiscal year when funds are available from the Federal government. Nonprofit and local governments apply for funds. DAAS generates contracts for each organization that receives funds. DAAS also revises contracts during the program year as necessary. Auditors should review the contracts in Open Window or program files to determine actual funding amounts.

This compliance supplement should be used in conjunction with the OMB 2020 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.

PROGRAM OBJECTIVES

The purpose of the Emergency Solutions Grant Program (ESG) is to assist persons who are homeless and persons who are at risk of becoming homeless. The grant pays certain expenses related to operating emergency shelters, for essential services related to emergency shelters and street outreach for the homeless, and for homelessness prevention and rapid re-housing assistance. (24 CFR Section 576.1).

II. PROGRAM PROCEDURES

ESG is administered by the North Carolina Department of Health and Human Services, Division of Aging and Adult Services (DAAS).

Funds are awarded to units of general local government and private non-profit organizations who apply for funding through an annual Request For Applications (RFA) process. **The RFA is released prior to the anticipated Federal award. The State receives and signs a grant agreement from the U. S. Department of Housing and Urban Development (HUD) before funds are expended.** Eligible applicants submit grant applications by the deadline prescribed in the RFA. Applications are reviewed by ESG staff to ensure compliance with State and federal rules. Grant awards are made and each grant subrecipient signs a contract with DHHS that incorporates various terms and conditions including the following:

- Period of award
- Amount of award
- Termination provisions
- Record retention requirements
- Property management requirements
- Audit requirements
- Terms of pay back of disallowed costs
- Disallowance of lobbying costs
- Scope of work
- Approved budget, and
- Assurance of compliance with applicable federal state and local laws and regulations.
- Performance measures
- Match requirements
- Reimbursement procedures
- Reporting requirements

Subrecipients submit monthly financial expenditure reports during the contract period. These financial expenditure reports subject to desk monitoring monthly. Reimbursement requests are paid by the DHHS Controller's Office to subrecipients on a monthly basis.

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On-site monitoring visits are made to selected subrecipients by ESG staff to verify program compliance, to review financial records, and to review administrative structures and practices. Results of on-site monitoring visits are shared with subrecipient organizations that have been monitored. Back-up documentation that is submitted with monthly reimbursement requests is also reviewed on a regular basis throughout the program year.

Subrecipients are required to submit a Consolidated Annual Performance and Evaluation Report (CAPER) at the conclusion of the program year.

III. COMPLIANCE REQUIREMENTS

The Type of Compliance Requirements can be found in Section B in the link: [2020 Agency Matrix for Federal Programs](#). This matrix incorporates the OMB Compliance Supplement “Part 2 - Matrix of Compliance Requirement.” A State Agency may have added a compliance requirement that the OMB matrix in Part 2 has a “N” (Not Applicable).

A. ACTIVITIES ALLOWED OR UNALLOWED

Eligible Activities: Emergency Solutions Grant funds may be used to serve eligible program participants with one or more of the following activities:

1. **Street Outreach:** Funds may be used for costs of providing essential services necessary to reach out to unsheltered homeless people; connect them with emergency shelter, housing or critical services; and provide urgent, non-facility-based care to unsheltered homeless people who are unwilling or unable to access emergency shelter, housing or an appropriate health facility. Essential services are: engagement, case management, emergency health services, emergency mental health services, transportation, services for special populations.
2. **Emergency Shelter:** Funds may be used for the costs of providing essential services to families and individuals in emergency shelters and operating emergency shelters. Essential services are: case management, child care, education services, employment assistance and job training, outpatient health services, legal services, life skills training, mental health services, substance abuse treatment, transportation, services for special populations. Shelter operation include: eligible costs **up to \$500 per items** for maintenance (including minor or routine repairs), rent, security, fuel, equipment, insurance, utilities, furnishings, and supplies necessary for the operation of the emergency shelter.
3. **Homelessness Prevention:** Funds may be used for housing relocation and stabilization services and rental assistance (limited to 24 months) necessary to prevent an individual or family who meet HUD’s definition of “at-risk of homelessness” from becoming homeless. Housing relocation and stabilization services are: financial assistance costs used to pay housing owners, utility companies, and other third parties for: rental application fees, security deposits, last month’s rent, utility deposits, utility payments and moving costs. Services

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costs are: housing search and placement, housing stability case management, mediation, legal services, and credit repair.

4. **Rapid Re-housing Assistance:** Funds may be used for housing relocation and stabilization services and rental assistance (limited to 24 months) necessary to help a homeless (according to HUD's definition of homelessness) individual or family move as quickly as possible into permanent housing and achieve stability in that housing. Housing relocation and stabilization services are: financial assistance costs used to pay housing owners, utility companies, and other third parties for: rental application fees, security deposits, last month's rent, utility deposits, utility payments and moving costs. Services costs are: housing search and placement, housing stability case management, mediation, legal services, and credit repair.
5. **Administration:** Local government entities and fiscal sponsors may receive administrative funds, these funds can be used for grant management, oversight, and coordination including: salaries, wages and related costs of the subrecipients' staff engaged in program administration, administrative services performed under third-party contracts or agreements including legal, accounting, and audit services, and other costs for goods and services required for the administration of the program including rental or purchase of equipment, insurance, utilities, office supplies and rental and maintenance (but not purchase) of office space.

Ineligible Activities: Emergency Solutions Grant awards may not be used for activities other than those specified above.

B. ALLOWABLE COSTS/COSTS PRINCIPLES

All subrecipients that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

C. CASH MANAGEMENT

Funds expended by subrecipients are reimbursed on a monthly basis. No cash management testing is required at the local level.

E. ELIGIBILITY

Funds are provided to units of general local government and private non-profit organizations who meet eligibility requirements. Grants are made to eligible organizations after receipt from HUD. Eligible nonprofit agencies must be 501(c) (3) organizations, have tax-exempt status, have a volunteer board, and have an acceptable accounting system.

F. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Title to equipment purchased by local grantee or nonprofit subrecipients vests with the entity and shall follow the provisions of OMB Uniform Guidance 2 CFR, Part 200 for equipment acquired.

G. MATCHING, LEVEL OF EFFORT, EARMARKING – (NOT APPLICABLE FOR THE 2020 PROGRAM YEAR)

H. PERIOD OF PERFORMANCE

Compliance Requirement – ESG funds awarded must be obligated within the grant period stipulated in the grant agreement. Funds are obligated when the recipient or subrecipient has placed orders, awarded contracts, or performed similar transactions that require payment from the ESG grant amount.

Audit Objective – Determine whether funding was obligated within the prescribed time frames of the grant award and whether funds expended were used for allowable eligible expenses.

Suggested Audit Procedure – Determine the time periods for which funds must be obligated and review records to determine the dates that funds were obligated and expended appropriately.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Subrecipients are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services equal to or in excess of \$100,000 and all non-procurement transactions (e.g., subawards to subrecipients).

All subrecipients that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform to federal agency codifications of the grants management common rule accessible on the Internet at <http://www.whitehouse.gov/omb/grants/chart.html>. All subrecipients that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina Agency Purchasing Manual accessible on the Internet at <https://ncadmin.nc.gov/government-agencies/procurement/procurement-rules>.

J. PROGRAM INCOME

Local ESG subrecipients are required to adhere to program income requirements of the OMB Uniform Guidance 2 CFR part 200.307.

L. REPORTING

Subrecipients are required to make the following information available to the Department:

1. ESG subrecipients located within a Continuum of Care must contract with a Homeless Management Information System (HMIS) and maintain accurate and current information in the database. Domestic Violence Shelters are not required to participate in HMIS. However, funded Domestic Violence Shelter are required to utilize a comparable HMIS database for reporting purposes.

2. Subrecipients are required to submit an annual (CAPER) no later than 90 days after the end of the period covered by the State Annual Action Plan (January 1 - December 31).

M. SUBRECIPIENT MONITORING

Local ESG subrecipients who are serving as fiscal sponsors for a region are allowed to subgrant funds. Testing is required to ensure that contracts with subrecipients' subgrantors are in compliance with ESG requirements and subcontractor programs are in compliance with ESG regulations.

N. SPECIAL TESTS AND PROVISIONS

Conflict of Interest and Certification Regarding No Overdue Tax Debts

All non-State entities (except those entities subject to the audit and other reporting requirements of the Local Government Commission) that receive, use or expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are subject to the financial reporting requirements of G. S. 143C-6 effective July 1, 2007.

Suggested Audit Procedures

1. All non-State entities must submit a Notarized Conflict of Interest Policy (see G. S. 143C-6.23(b))
2. All non-State entities a written statement (if applicable) that the entity does not have any overdue tax debts as defined by G. S. 105-243.1 at the federal, State or local level (see G. S. 143-6.23(c)).
3. All non-State entities that provide State funding to a non-State entity (except any non-State entity subject to the audit and other reporting requirements of the Local Government Commission) must hold the subgrantee accountable for the legal and appropriate expenditure of those State grant funds.