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HOMELAND SECURITY GRANT PROGRAM

State Project/Program: HOMELAND SECURITY GRANT PROGRAM

**US Department of Homeland Security
Federal Emergency Management Agency**

Federal Authorization: The Homeland Security Act of 2002 (Public Law 107-296), Implementing Recommendations of 9/11 Commission Act of 2007 (Public Law 110-5), DHS Appropriations Act of 2007 (Public Law 109-295), The Post Katrina Emergency Management Reform Act of 2006 - 6 USC 752 (c), The Consolidated Appropriations Act, 2012, Division D (Public Law 112-74).

State Authorization: N/A

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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 the HSGP is to support state and local efforts to prevent 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 provides funding to implement investments that build, sustain, and deliver the 31 core capabilities essential to achieving the National Preparedness Goal (the Goal) of a secure and resilient Nation. 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 supports core capabilities across the five mission areas of Prevention, Protection, Mitigation, Response, and Recovery based on allowable costs. HSGP is comprised of three grant programs: State Homeland Security Program (SHSP), Urban Area Security Initiative (UASI), 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.

II. PROGRAM PROCEDURES

Development of the HSGP project application is a three-phased process. The first phase is applicant application development and submission to North Carolina Emergency Management (NCEM). The second phase is application review and approval by NCEM. The third and final phase is the development of the HSGP Investment Justification (IJ). This includes combining all approved applications for submission to the US Department of Homeland Security (DHS)

Applications are developed by local Domestic Preparedness Region (DPR), non-local (DPR), and state agency applicants. Local **DPR** applications are submitted to the DPR committees voted on and approved for submission to the NCEM homeland security grants branch. Non-local (DPR) and state agency applicants submit applications directly to the NCEM homeland security grants branch.

The homeland security grants branch review all applications to ensure compliance with grant program guidance. Throughout the application phase funding allocations are reviewed and approved by NCEM staff and the Homeland Security Advisor (HSA) or designee. Subject Matter Experts (SMEs) also assist with eligibility by reviewing specific applications that relate to their area of expertise. Once local DPR applications are checked for grant compliance and approved, they are presented to the State Emergency Response Commission (SERC) Regionalization Subcommittee (SRC). Then all applications are presented to the SERC and the HSA for final approval and prioritization.

With the approval of the SERC and HSA, applications proceed to the IJ development phase of the HSGP process. During the IJ phase homeland security grants staff divide all applications into investment categories determined by DHS. Once homeland security grants staff incorporates approved application information into the final IJ' s and all investment categories are completed the state's HSGP application is ready for submission to DHS.

DHS receives the state application and approves the grant awards through a web-based grant award notification system. The HSA/SERC chair has the final approval or denial of all HSGP project proposals. The HSA, will also determine any reallocation of funding among the projects as necessary

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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 2020 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 direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

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	N	N	N	Y	Y	Y	Y	Y	Y

A. ACTIVITIES ALLOWED OR UNALLOWED

Typically, authorized expenditures are for equipment, exercise, training and planning. The following are examples of each. Each grant program provides specific expenditure guidance for each category.

1. Equipment

Funds for equipment are to be used to enhance the capabilities of state and local first responders. Allocated equipment acquisition funds may also be used to sustain first responder equipment that would be used in a jurisdiction's response to terrorist attacks, major disasters, and other emergencies. DHS has a detailed authorized equipment list for each grant.

2. Exercise

Funds for exercises may be used to plan for, design, develop, conduct, and

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evaluate exercises that train homeland security preparedness, prevention and response personnel. These exercises will evaluate prevention and response plans, policy, procedures and protocols, and assess the readiness of jurisdictions to prevent and respond to terrorist attacks, major disasters, and other emergencies. Exercises must be threat and performance-based, in accordance with Homeland Security Exercise and Evaluation Program (HSEEP) manual. This manual will provide explicit direction on the design, conduct, and evaluation of terrorism exercises.

The manual can be found at the DHS website at <https://www.fema.gov/sites/default/files/2020-04/Homeland-Security-Exercise-and-Evaluation-Program-Doctrine-2020-Revision-2-2-25.pdf>. Exercises conducted with DHS support (grant funds or direct support) must be managed and executed in accordance with the HSEEP. Exercise activities must be complete and all invoices received for reimbursement no later than the date specified in the grant schedule. The NCEM Training and Exercise Branch oversee the state's exercise program.

3. Training

Funds for training may be used to enhance the capabilities, awareness, and operations level training of state and local first responders through development of a state homeland security training program. Preparedness training programs are defined as those programs related to prevention, protection, response, and or recovery from natural, technical, or man-made catastrophic incidents, while supporting one or more Core Capabilities in alignment with national priorities as stated in the Goal. Examples of such programs include but are not limited to CBRNE terrorism, critical infrastructure protection, cyber security, and citizen preparedness. The training programs can be established at academies/institutions, universities, or junior colleges.

4. Planning

Funds for planning may be used for developing and implementing homeland security support programs and adopting DHS national initiatives, such as the National Preparedness Goal and Guidance, implementing and adopting the National Incident Management System (NIMS), modifying existing Emergency Operations Procedures and establishing or enhancing mutual aid agreements. Planning funds can be used to develop related terrorism prevention activities, such as planning to enhance security during heightened alerts, conducting public education campaigns and evaluating critical infrastructure equipment. Risk and vulnerability assessments can also be funded under the planning category.

B. ALLOWABLE COSTS/COST PRINCIPLES

Compliance Requirement

Only relevant and necessary costs as authorized by the Notice of Funds Availability Announcement, Application, Investment Justification, information contained in the State/local Memorandum of Agreement and costs in 2 CFR 200 Subpart E (Uniform Guidance, Cost Principles).

Suggested Audit Procedures

- a. Review Comprehensive Cooperative Agreement and/or State/local grant

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agreement budget.

- b. Test expenditures and related records for adherence to approved budget and to 2 CFR cost principles for local governments and A-122 cost principles for private non-profit organizations.

C. CASH MANAGEMENT

Compliance Requirement

Funds are submitted to sub-recipients on a reimbursement basis. We also administer funds on behalf of the sub recipient.

Suggested Audit Procedures

1. Review FEMA-Grant Award Notification and/or State-sub recipient agreements.
2. Review and test the expenditures and reports to ascertain total cost of project and verify that they are eligible.

G. MATCHING, LEVEL OF EFFORT, EARMARKING

Compliance Requirement

There are no matching requirements with the HSGP grant program. DHS funds 100% of the eligible costs of each project

H. PERIOD OF PERFORMANCE

Compliance Requirement

DHS allows a Period of Performance of three years. Eighty percent of program funds are to be obligated within 45 of receiving grant Award. Through our award process NCEM obligates our projects through SERC and SAA approval prior to submission of Investment Justification. Project completion deadlines for sub-recipients are specifically stated in the memorandum of agreement on a project-by-project basis.

Suggested Audit Procedures

Verify that the funds were encumbered within the period of performance after the grant appropriation.

I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Compliance Requirement

All subrecipients that expend State funds (including federal funds passed through the NC DHHS) 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 at [http://www.pandc.nc.gov/documents/Procurement Manual 5 8 2013 interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf)

2 CFR §200.214 states that in the grant agreement; the grantee must comply with Federal Debarment and Suspension regulations by requiring completion of the "Certificate Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions" by sub-recipients prior to entering into a financial agreement with the sub-recipients for any transaction as outlined below:

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Suggested Audit Procedures

The pass-through entity is responsible for monitoring the submission and maintaining the official documents from sub-recipient. To include verification of Procurement contract for goods and services, regardless of amount, under which the sub-recipients will have a critical influence on or substantive control over the transaction

The listing of most debarred and suspended parties can be viewed at the following web sites: <https://www.sam.gov/SAM/pages/public/searchRecords/search.jsf>
<http://www.osbm.state.nc.us/>

L. REPORTING

Sub-recipients are required to submit various financial and programmatic reports as a condition of their award acceptance.

Within 90 days after the end of the period of performance, or after an amendment has been issued to close out a grant, whichever comes first, recipients must submit a final financial report and final progress report detailing all accomplishments and a

qualitative summary of the impact of those accomplishments throughout the period of performance, as well as the following documentation:

- 1) Final request for payment, if applicable;

M. SUBRECIPIENT MONITORING

The Homeland Security Grants Branch will conduct random auditing visits to counties and state agencies who have received Homeland Security Grants. There is no set number of auditing visits for a single sub recipient. Auditing visits may be made in conjunction with NCEM Operations staffs site monitoring visits.

N. SPECIAL TESTS AND PROVISIONS

Compliance Requirement

All funds from this grant are disbursed to local units of government in accordance with their Memorandum of Agreement. As a result, it becomes the responsibility of the local unit to ensure that contracts in excess of \$2,000 are administered in compliance with the Davis-Bacon Act.

Suggested Audit Procedures

Site visits and cost report review to ensure test expenditures.