

97.029

FLOOD MITIGATION ASSISTANCE

State Project/Program: FLOOD MITIGATION ASSISTANCE GRANT PROGRAM

U.S. Department of Homeland Security (DHS)
Federal Emergency Management Agency (FEMA)

Federal Authorization: Section 1366 of The National Flood Insurance Act of 1968, as amended (Pub. L. No. 90-448) ([42 U.S.C. § 4104c](#))
Department of Homeland Security Appropriations Act, 2021
([Pub. L. No. 116-260](#), Division F)
[42 U.S.C. 4101](#) - Identification of flood-prone areas
[44 CFR Part 77](#) – Flood Mitigation Grants

State Authorization: N/A

N.C. Department of Public Safety (NCDPS)
North Carolina Emergency Management (NCEM)

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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 2022 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.

I. PROGRAM OBJECTIVES

The purpose of FMA is to assist State and local governments in funding cost-effective actions that reduce or eliminate the long-term risk of flood damage to buildings, manufactured homes, and other insured structures. The long-term goal of FMA is to reduce or eliminate claims under the National Flood Insurance Program (NFIP) through mitigation activities. The program provides cost-shared grants for three purposes: Planning Grants to States and communities to assess the flood risk and identify actions to reduce that risk; Project Grants to execute measures to reduce flood losses; and Technical Assistance Grants that States may use to assist communities to develop viable FMA applications and implement FMA projects. FMA also outlines a process for development and approval of Flood Mitigation Plans. For more information, refer to Resources for the Flood Mitigation Assistance Grant Program at <https://www.fema.gov/grants/mitigation/floods/fma-resources> and Localized Flood Risk Reduction Projects in Hazard Mitigation Assistance Guidance at <https://www.fema.gov/grants/mitigation/hazard-mitigation-assistance-guidance>.

II. PROGRAM PROCEDURES

The FMA 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 FMA.

During the open application cycle, sub-applicants (Territories, federally-recognized tribes and local communities) submit mitigation planning and project sub-applications to the State. Communities who may submit sub-applications to the State include local governments, cities, townships, counties, special district governments, and tribal governments (including federally recognized tribes who choose to apply as sub-applicants). Certain political subdivisions (i.e., regional flood control districts or county governments) may apply and act as sub-applicants if they are part of a community participating in the National Flood Insurance Program (NFIP) where the political subdivision provides zoning and building code enforcement or planning and community development professional services for that community.

All sub-applicants must be participating in the NFIP, and not be withdrawn, on probation, or suspended. Structures identified in the sub-application must have an NFIP policy in effect at the FMA application start date and must maintain it through completion of the mitigation activity and for the life of the structure. NFIP community status can be verified at <https://www.fema.gov/national-flood-insurance-program-community-status-book>.

The planning sub-applications submitted for consideration for FMA funding must be used in accordance with the State's mitigation plans to meet the requirements outlined in 44 CFR Part 201 Mitigation Planning. Only communities participating in the NFIP are eligible to receive FMA funds. Projects submitted must also be consistent with the goals and objectives identified in the current FEMA-approved State hazard mitigation plan, along with local hazard mitigation plans. After reviewing project and planning applications to determine if they meet the programs' requirements, the State prioritizes and forwards the applications to their FEMA Regional Office.

The amount of funding available for these projects is based on yearly FMA 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 non-federal source. Of this amount, not more than one half will be provided from in-kind contributions. The remaining non-federal share must be provided as a local match from non-federal sources by the applicant.

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 2022 Compliance Supplement; however, the State Agency may have added the Type and this should be 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 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	Y	N	N	Y	N	N	Y	N	Y

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 FMA 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. FMA requirements change on an annual basis. Refer to the [FY15 Hazard Mitigation Assistance Guidance](#) (as amended by FEMA) ("HMA") and notices for FMA on [grants.gov](#).

In order to qualify for a Project Grant, a sub-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 FMA Program. In addition, the project must:

- Benefit an NFIP-insured structure;
- Meet [HMA](#) and [FMA NOFO](#) 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 [HMA](#) and [FMA NOFO](#) requirements and cross-check against awarded projects.
- Review subrecipient's FMA application, award letter and MOA/grant agreement approved scope of work/project(s) and applicable terms, conditions, requirements and responsibilities of subrecipient.
- Test expenditures and related records for adherence to approved budget activity.

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 [HMA](#) and [FMA NOFO](#) requirements and cross-check against awarded projects.
- Review requests for reimbursement and/or cost reports submitted by subrecipient.
- Verify costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to

an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).

- Verify costs were not included as a cost of any other federally financed program in either the current or a prior period.
- Verify costs were not used to meet the cost-sharing or matching requirements of another federal program, except where authorized by federal statute.
- Test expenditures and related records for adherence to approved budget activity.

C. Cash Management

Compliance Requirement

Funds are submitted to all subrecipients 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

In accordance with the [HMA](#), the State is eligible to apply for grants for Technical Assistance. State agencies and communities are eligible to apply for Planning and Project Grants and to act as subgrantee. Communities on probation or suspended under 44 CFR part 60 of the NFIP are not eligible. To be eligible for Project Grants, an eligible applicant will develop, and have approved by the FEMA Regional Administrator, a Flood Mitigation Plan in accordance with 44 CFR § 78.5.

Suggested Audit Procedures

Review [HMA](#) and [FMA NOFO](#) requirements and cross-check against awarded projects.

Verify that all subrecipients are participating in the NFIP, and are not withdrawn, on probation, or suspended. Verify that all structures identified in subrecipient's application have an NFIP policy in effect at the FMA application start date, and that it is maintained through completion of the mitigation activity and for the life to date of the structure. NFIP community status can be verified at <https://www.fema.gov/national-flood-insurance-program-community-status-book>.

F. Equipment and Real Property Management

G. Matching, Level of Effort, Earmarking

H. Period of Performance

Compliance Requirement

FMA period of performance (POP) begins with the opening of the application period and ends no later than 36 months from the date of sub-application selection. However, the POP is subject to change based on changes in the [HMA](#) and [FMA NOFO](#). 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.
- Verify that the funds were encumbered within the POP for each subrecipient.
- Verify existence of sufficient documentation from FEMA and/or NCDPS/NCEM authorizing any period of performance extensions claimed by subrecipient. If a subrecipient has received multiple FMA awards across different or consecutive years, the award letter and MOA/grant agreement for each year's FMA award should be separately reviewed to determine the specific POP for each award.

I. Procurement and Suspension and Debarment

J. Program Income

K. Reserve

L. Reporting

Compliance Requirement

Subrecipients shall submit required monthly reports until the grant ends, including requests for reimbursement. Failure to submit required reports to NCDPS/NCEM in a timely manner may result in an inability to access grant funds until proper reports are received.

Subrecipients shall submit a monthly report for each award to include the following:

- Reporting period, date of report, and subrecipient 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.
- 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.

Final documentation must be submitted by subrecipients upon close-out of the grant award.

Suggested Audit Procedures

- Review subrecipient's FMA application, award letter and MOA/grant agreement for reporting requirements and approved scope of work/project(s).
- Verify that reports submitted by subrecipient (including cost reports and requests for reimbursement) have adequate supporting documentation, that funds were expended as represented by subrecipient, and that all required authorizations/approvals were obtained by subrecipient.
- Verify that goods and services for which subrecipient was reimbursed by FEMA and/or NCDPS/NCEM were in fact obtained/completed in accordance with the approved scope of work/project(s) specified in the FMA application, award letter and MOA/grant agreement.

M. Subrecipient Monitoring

N. Special Tests and Provisions

Compliance Requirement

Sub-recipients are required to follow rules and regulations in the "[Mini-Brooks Act](#)", [G.S. 143-64.31](#).

Suggested Audit Procedures

Confirm that subrecipients have followed all applicable rules and regulations required by "Mini-Brooks Act".

IV. OTHER INFORMATION

Schedule of Expenditures of Federal Awards (SEFA) / Schedule of Expenditures of Federal & State Awards (SEFSA): If required to complete an audit, subrecipients should record FMA expenditures on the SEFA/SEFSA in accordance with 2 CFR 200.501, 200.502 and 200.510 when (1) the funds have been awarded by FEMA and (2) the expenditures are incurred. If the expenditures were incurred prior to the funds being awarded by FEMA, they are ineligible expenditures. If funds are awarded in a certain fiscal year but not expended until a subsequent fiscal year, they should be reported on the SEFA/SEFSA in the fiscal year of expenditure. If the expenditures were incurred after the expiration of the period of performance (plus any authorized extensions, if applicable), they are ineligible expenses.