

97.039

HAZARD MITIGATION GRANT

State Project/Program: HAZARD MITIGATION GRANT PROGRAM (HMGP)

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

Federal Authorization: Section 404 of the [Robert T. Stafford Disaster Relief and Emergency Assistance Act](#) (Public Law 93-288, as amended) ([42 U.S.C. 5170c](#)); [42 U.S.C. 5121](#) et seq. and Related Authorities. [2 CFR Part 200](#) Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards. Program regulations are codified at 44 CFR parts [80](#) (Property Acquisition & Relocation for Open Space); [201](#) (Mitigation Planning); [44 CFR Part 206, Subpart N](#) (Hazard Mitigation Grant Program); and [207](#) (Management Costs). [FY15 Hazard Mitigation Assistance Guidance](#) (as amended by FEMA). For more information, see: <https://www.fema.gov/grants/mitigation/hazard-mitigation>.

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 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 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. HMGP requires a Presidential Major Disaster Declaration in the areas of the state, tribe, or territory requested by the Governor or Tribal Executive.

II. PROGRAM PROCEDURES

HMPG is a state-administered federal program for which states and local communities submit project applications on behalf of the affected citizens in their communities. North Carolina Emergency Management (NCEM), within the North Carolina Department Public Safety (NCDPS), administers HMGP in the state of North Carolina.

NCEM administers HMGP according to a FEMA-State agreement, a comprehensive Standard or Enhanced Mitigation Plan, and a state HMGP Administrative Plan. These plans must be approved by FEMA before funds are awarded to the state. FEMA is responsible for approving or denying project applications and reviewing NCEM's quarterly and final reports.

During the open application cycle, sub-applicants (Territories, federally-recognized tribes and local communities) submit mitigation planning and project sub-applications through the Application Development Module of the National Emergency Management Information System (NEMIS). Communities who may submit sub-applications to the State include local governments, cities, townships, counties, special district governments, tribal governments (including federally recognized tribes who choose to apply as sub-applicants), and some Private Non-Profits (PNP). The planning sub-applications submitted for consideration for HMGP funding must be used in accordance with the State's mitigation plans to meet the requirements outlined in 44 CFR Part 201 Mitigation Planning. PNP sub-applicants are eligible for HMGP but do not have mitigation plan requirements as a condition of sub-applicant eligibility. 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, NCEM prioritizes and forwards the applications to their FEMA Regional Office.

The amount of funding available for these projects is based on yearly HMGP awards. FEMA may generally contribute up to 75 percent of the total eligible costs of each grant for mitigation activities. Generally, at least 25 percent of the total eligible costs will be provided from a non-federal source. These percentages can potentially vary depending on the specific disaster.

FEMA may provide up to 100 percent federal funding for eligible State Management Costs. FEMA approves the State application and grants the award through a FEMA Award Letter.

“Management costs” funding is for costs incurred by recipients (i.e. NCEM on behalf of the state of North Carolina) and their subrecipients in administering HMGP. There are different formulas for computing management costs for federal disasters declared prior to November 13, 2007, and on or after that date.

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 subrecipients 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, 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 for federal disasters declared on or after November 13, 2007 are not subject to the federal funding limits for HMGP projects, 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 (or certain specific geographic areas within a state) a disaster area. Indian tribal governments may also submit a request for a major disaster declaration within their impacted area. NCEM is the “applicant” for HMGP on behalf of the State of North Carolina. NCEM has 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 of the HMGP award (which is NCEM on behalf of the state of North Carolina) intends to make subawards.

In addition to NCEM submitting applications and supporting documents to FEMA on behalf of the State of North Carolina, a state hazard mitigation officer has been appointed from NCEM. This official ensures that all potential sub-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.

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 four types of HMGP grants: (1) Updating or enhancing sections of the current FEMA-approved mitigation plan; (2) Integrating information from mitigation plans, specifically risk assessment or mitigation strategies; (3) Building capability through delivery of technical assistance and training; and (4) Evaluating adoption and/or implementation of ordinances that reduce risk and/or increase resilience. HMGP requirements change frequently as described in the [FY15 Hazard Mitigation Assistance Guidance](#) (as amended by FEMA) (“HMA”).

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 NCDPS/NCEM and FEMA for purposes of HMGP. In addition, the project must:

- Meet [HMA](#) 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 Notice of Funds Availability (NOFA) requirements and cross-check against awarded projects.
- Review subrecipient's HMGP 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 [HMA](#) must be reasonable, allowable, allocable, and necessary as required by 2 CFR Part 200 Subpart E, applicable program regulations, and this guidance.

For Federal Disasters Declared Prior to November 13, 2007

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)).

For Federal Disasters Declared on or after November 13, 2007

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.

Suggested Audit Procedures

- Review [HMA](#) and NOFA 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 and local governments, private nonprofit organizations, Indian tribes or authorizations, and Alaska Native villages or organizations are eligible to apply for grants in accordance with 44 CFR Section 206.434(a).

Suggested Audit Procedures

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

F. Equipment and Real Property Management

G. Matching, Level of Effort, Earmarking

H. Period of Performance

Compliance Requirement

HMGP 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](#) guidance and NOFA. The FEMA Award Letter will affirm the assigned POP for each sub-award. A grant agreement between NCPDS/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 HMGP awards across different or consecutive years, the award letter and MOA/grant agreement for each HMGP 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 HMGP 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 HMGP 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 HMGP 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.