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 application is a three-phased process. In the Application Phase, homeland security projects developed by State and local non-DPR partners are submitted to the Homeland Security Branch for initial review of compliance with federal regulations. DPR projects are submitted directly to the DPR for approval and voting. DPR projects are then presented to the SRC for approval and prioritization.

The next phase, the Review Phase, begins with the presentation of all projects to the State Emergency Response Commission (SERC) and the Homeland Security Advisor (HSA) for review. Application Phase projects are submitted to a state committee of Subject Matter Experts (SMEs) for review and to place the projects into a priorities list. Approved Review Phase projects will have funding allocations designated by the HSA, with concurrence of the SERC, and proceed to the Investment Justification Phase of the HSGP process (See Appendix A). The Investment Justification Phase includes Investment Justification (IJ) writing team and development of the final IJs to be included in the application for Federal funding under the HSGP.

While the full SERC provides oversight of the HSGP projects, the HSA has the final voice in the recommendation or deferment of all HSGP Project Proposals to proceed to the Review Phase and be incorporated into the final IJs for the State of North Carolina. The HSA will likewise have final approval of the complete HSGP application prior to submission of the application to DHS. Upon announcement of the HSGP award allocation by DHS, the HSA, with concurrence of the SERC, will determine any reallocation of funding among the projects as necessary based on the final amount awarded by DHS. DHS approves the State application and grants the award through a notification system website via Grant Award Notification.

III. COMPLIANCE REQUIREMENTS

A. Activities Allowed or Un-allowed

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

1. 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 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.

2. Operations

Funds for operational activities include but are not limited to all activities related to maintain and sustaining the mechanism to manage a homeland security program for the purposes of planning prevention response recovery and mitigation of natural and manmade disasters.
3. 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. There is a detailed authorized equipment list for each grant.

4. 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.

5. Exercise

Funds for exercises may be used to plan for, design, develop, conduct, and 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) manuals. These manuals will provide explicit direction on the design, conduct, and evaluation of terrorism exercises.

The four manuals can be found at the US Department of Homeland Security website at https://hseep.dhs.gov/pages/1001_HSEEP7.aspx. Exercises conducted with DHS support (grant funds or direct support) must be managed and executed in accordance with the HSEEP. Exercise activities must be completed 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.

B. Allowable Costs/Cost Principles

Compliance Requirement

Only relevant and necessary costs as authorized by the Notice of Funds Availability Announcement, Project Development Workbook, Investment Justification, information contained in the State/local Memorandum of Agreement and costs in 2 CFR 200 for local governments and Nonprofits organization and for private non-profit organizations are allowed.

Suggested Audit Procedures

1. Review Comprehensive Cooperative Agreement and/or State/local grant agreement budget.
2. Test expenditures and related records for adherence to approved budget and to 2 CFR cost principles for local governments and cost principles for private non-profit organizations.
C. **Cash Management**

**Compliance Requirement**
Funds are submitted to all 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.

D. **Reserved**

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 Availability of Federal Funds**

**Compliance Requirement**
DHS Allows varying Period of Performance that ranges from two to three years. Program funds are to be obligated within 45 days 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 two-year timeframe after the grant appropriation.

I. **Procurement and Suspension and Debarment**

**Compliance Requirement**
2 CFR 200 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:

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.

**Suggested Audit Procedures**
A certification through submission of eligible expenses on a Cost report is required regarding debarment and suspension from the contractor before reimbursement of expenditures.
J. Program Income
   Not applicable to this program

K. Reserved

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 FFR 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;
   3) SF-PPR – Performance Progress Report;

M. Sub recipient monitoring
   The Homeland Security 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 the Operations staff’s site monitoring visits.

N. Special Tests and Provisions
   One provision exist for the HSGP – UASI grants that UASI funds be utilized within the UASI region and available for use state wide if called upon by the state SAA.

**Davis-Bacon Act**

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 to ensure Test expenditures.