

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.024 EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM

CFDA 97.114 ARRA EMERGENCY FOOD AND SHELTER NATIONAL BOARD PROGRAM

I. PROGRAM OBJECTIVE

The purpose of the program is to supplement and expand ongoing efforts to provide emergency shelter, food, and supportive services for needy families and individuals. The program also conducts minimum rehabilitation of existing mass shelter or mass feeding facilities, but only to make facilities safe and sanitary and bring them into compliance with local building codes.

II. PROGRAM PROCEDURES

The Emergency Food and Shelter National Board Program (EFSP) is administered by the U.S. Department of Homeland Security/Federal Emergency Management Agency (FEMA). The program has been entrusted to FEMA through the McKinney-Vento Homeless Assistance Act (42 USC 11331 et seq.) “to supplement and expand ongoing efforts to provide shelter, food and supportive services” for the nation’s hungry and homeless.

The National Board (the recipient) qualifies local jurisdictions for funding using a formula based on current Federal statistics on unemployment, poverty, and population. State Set-Aside Committees are established to receive a portion of funding from the National Board to assist localities experiencing drastic economic changes or that do not qualify for direct funding. The National Board selected United Way Worldwide to serve as its Secretariat and Fiscal Agent.

Local Boards (LBs) must submit a “Local Board Plan” to the National Board which outlines the funding distribution for their jurisdiction. Once the plan is approved by the National Board, the National Board transmits funding, in two equal installments, by electronic funds transfer (EFT), directly to the Local Recipient Organizations (LROs) selected to receive funding by the LBs. LROs that are first-time recipients of EFSP funds receive the payment of their first installment by check.

Source of Governing Requirements

Title III of the McKinney-Vento Homeless Assistance Act, as amended (42 U.S.C. 11331 et seq.) and the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5).

Availability of Other Program Information

Other program information is available through the Fiscal Year 2009 Emergency Food and Shelter Program National Board Phase 28 Responsibilities and Requirements Manual located at www.dhs.gov/xopnbiz/grants/editorial_0565.shtm;

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. *Activities Allowed*

a. Administrative costs

- (1) National Board: up to 1 percent of the funding may be used by the National Board to perform administrative duties.
- (2) State Set-Aside Committees: up to 0.5 percent of the award may be used for administrative functions.
- (3) Local Boards: LB administrative costs are restricted to 2 percent of the funds available to the local jurisdiction based on the approved LB plan. The 2 percent allowance may be used by the LB and/or the LRO at the discretion of the LB. No LRO may receive an allowance greater than 2 percent of that LRO's award amount unless the LRO is providing the administrative support for the LB. Any unused administrative allowance must be spent on eligible program services.

- b. LROs may use funding for activities approved by the LB, consistent with the LB's approved plan (42 USC 11343(a)).

2. *Activities Unallowed*

Unallowable costs are identified in the *Emergency Food and Shelter National Board Program Phase 28 Responsibilities and Requirements Manual*. The manual is located at www.dhs.gov/xopenbiz/grants/editorial_0565.shtm.

E. Eligibility

1. **Eligibility for Individuals** –Individuals are eligible for assistance based on the criteria set by individual LROs. .
2. **Eligibility for Group of Individuals or Area of Service Delivery** – Not Applicable
3. **Eligibility for Subrecipients** – LROs must be private non-profit organizations or local governments (42 USC 11343(b)).

G. Matching, Earmarking, Level of Effort

1. **Matching** – Not Applicable
- 2.1 **Level of Effort** – *Maintenance of Effort* – Not Applicable
- 2.2 **Level of Effort** – *Supplement Not Supplant*

EFSP funds are to supplement and expand on going efforts of existing local social service organizations, and cannot be used as seed or start-up money for new organizations.

3. **Earmarking** – Not Applicable

L. Reporting

1. **Financial Reporting** –
 - a. SF-269, *Financial Status Report* – Not Applicable
 - b. SF-270, *Request for Advance or Reimbursement* – Not Applicable.
 - c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable.
 - d. SF-272, *Federal Cash Transactions Report* – Not Applicable
 - e. SF-425, *Federal Financial Report* – Applicable
2. **Performance Reporting** – Not Applicable
3. **Special Reporting** – Not Applicable
4. **Section 1512 ARRA Reporting** – Applicable
5. **Subaward Reporting under the Transparency Act** – Applicable to non-ARRA funding

IV. OTHER INFORMATION

Expenditures identified under the Homeland Security Emergency Food Shelter cluster in the current audit period may be attributable to awards made under CFDA 97.024, Emergency Food and Shelter National Board Program, which is a non-ARRA EFS program, or to ARRA funding under CFDA 97.114. Subawards issued by the primary grantee are legally binding agreements, and, therefore, the CFDA number(s) cited by the grantee in the subgrant award must be used by the subgrantee as the CFDA reference in the Schedule of Expenditures of Federal Awards (SEFA).

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.036 DISASTER GRANTS – PUBLIC ASSISTANCE (Presidentially Declared Disasters)

I. PROGRAM OBJECTIVE

The objective is to provide assistance to States, local governments, and selected non-profit organizations under the Public Assistance (PA) program.

II. PROGRAM PROCEDURES

Following a Presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA), Department of Homeland Security (DHS), awards grants for public assistance to States. The State may use the funds to restore its own disaster-damaged facilities and to provide subgrants to local governments (including Indian tribes, authorized tribal organizations, and Alaskan native villages and organizations) and selected private non-profit facilities.

The PA program is administered by the State (e.g., the State Emergency Agency) in accordance with a FEMA-State Agreement to provide assistance that may be available under an emergency or major disaster declaration. The State acts as the grant administrator for all funds provided under the PA program. The grant administrator's responsibility includes providing technical advice and assistance to eligible subgrantees, providing State support for damage survey activities, ensuring that all potential applicants are aware of assistance available, and submission of documents necessary for grant awards (44 CFR sections 206.200 through 206.349). In certain circumstances an Indian Tribe may be a grantee.

For purposes of the PA program, the following terms will be used:

State – The State Agency that is defined as the grantee under FEMA regulations and acts as the grant administrator for the program.

Subgrantee – The government or other legal entity to which a subgrant is awarded and which is accountable to the grantee for the use of the funds provided (44 CFR section 206.201(1)). (For example, in explaining this program, a State Highway Agency is considered a subgrantee of a State Emergency Agency even though both agencies may be included in the same Statewide single audit.)

RA – The FEMA Regional Administrator.

PA program awards are made based upon a Project Worksheet (PW) prepared by a project formulation team. The project formulation team normally includes a representative of FEMA, the State, and the subgrantee. The PW documents the project formulation team's determination of the eligible scope of work and cost estimate. The PA program will fund a part of this eligible work in accordance with the FEMA-State Agreement. Each PW has a control number and any supplemental PWs will be referenced to the original PW.

Projects are classified as large or small projects according to the cost of the eligible work for the individual project. FEMA sets a dollar cost threshold annually for distinguishing large from small projects. Projects with costs that equal or exceed this threshold are large projects; projects that cost less than the threshold are small projects. The threshold is adjusted each October to reflect changes in the Consumer Price Index. The threshold \$57,500 for the period October 1, 2005 through September 30, 2006; \$59,700 for the period October 1, 2006 through September 30, 2007; \$60,900 for the period October 1, 2007 through September 30, 2008; \$64,200 for the period October 1, 2008 through September 30, 2009; and \$63,200 for the period October 1, 2009 through September 30, 2010; and \$63,900 for the period October 1, 2010 through September 20, 2011. The date the disaster is declared by the President determines the threshold in use for that project.

Small Projects

Applicants are encouraged to make their own estimates for small projects and prepare PWs to be submitted to FEMA. FEMA will then take a 20 percent sample of the small projects prepared by the applicant and verify that the scope of the work is eligible and the cost estimate reasonable. If the sample passes this validation, FEMA accepts all small project PWs from the applicant and obligates the funds. If the sample fails, a second 20 percent is reviewed. If the second sample also fails, FEMA assigns a specialist to assist the applicant in reformulating and resubmitting all small projects to FEMA. A FEMA specialist is assigned to formulate an applicant's small projects when an applicant elects not to do so.

For small projects, final payment of the Federal share of eligible costs is made upon approval of the project. The amount awarded for small projects based on the PW generally will not change except under unusual circumstances, such as failure to complete the work, an unexpected insurance recovery, or an obvious error in calculation. At closeout of the disaster contract, the State is required to certify that all projects were properly completed and that the State cost-sharing contribution, as specified in the FEMA-State Agreement, was paid. However, this certification does not specify the amount spent by a subgrantee on small projects. If the actual cost for small projects is less than the estimated cost on the PW and the scope of work is completed, FEMA will not ask for a refund. Similarly, FEMA generally will not provide additional funding when actual costs exceed the PW estimate. However, provision is made that, when a subgrantee has significant overruns, an appeal may be made to FEMA for additional funding based upon the total final costs for all small projects (44 CFR sections 206.204(e) and 206.205(a)).

Large Projects

For large projects, the State must make an accounting to FEMA of eligible costs for each approved large project. In submitting the accounting, the State must certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the FEMA-State Agreement, and that payments for the project have been made in accordance with 44 CFR section 13.21 requirements for payment. The subgrantee is required to make similar accounting and certifications to the State. If actual costs are less than the approved amount, then the FEMA share will be based upon the actual costs. The subgrantee may request additional funding for eligible cost overruns on large projects. For

additional funding, these requests must include a written recommendation from the State and approval of the RA (44 CFR sections 206.204(e) and 206.205).

Improved Projects

If a subgrantee desires to make improvements, but still restore the pre-disaster function of a damaged facility, State approval must be obtained. Federal funding for an improved project is limited to the Federal share of the approved estimate of the eligible costs to repair or replace the disaster-damaged facility. The Federal share will only restore the pre-disaster capacity of the damaged or destroyed facility. For example, if eligible work to restore the pre-disaster capacity is \$100,000, and the subgrantee chooses to rebuild an improved facility that costs \$200,000, then the FEMA share is only based on the \$100,000. However, if the actual cost is less than the eligible work of \$100,000 (e.g., construction costs are much lower than expected), then a FEMA adjustment is required (44 CFR section 206.203).

Alternate Projects

In a case where the subgrantee determines that the public welfare would not be best served by restoring a damaged public facility, the State may request that FEMA approve an alternate project. This option is available only for permanent, restorative work. Funds contributed for alternate projects may be used to repair or expand other selected public facilities, to construct new facilities, or to fund hazard mitigation measures. These funds may not be used to pay the non-Federal share of any project or for any operating expense (44 CFR section 206.203(d)(2)).

Funds approved for an alternate project can be used only for alternate projects specifically approved by FEMA. While the States and subgrantees have flexibility to propose the type and size of alternate projects they wish to construct, FEMA must review such proposed projects to ensure compliance with environmental and other special concerns (44 CFR section 206.203).

Administrative Costs

FEMA also provides funding for costs incurred by States and their subgrantees in administering the PA program. For disaster or emergency declarations prior to November 13, 2007, the State receives a statutory administrative cost allowance determined according to a formula based on percentages of the aggregate Federal share of funding provided to subgrantees for approved PA projects. The State awards administrative cost allowances to subgrantees according to a formula based on percentages of the subgrantees' net eligible project costs. All administrative costs must be supported with source documentation. For disaster or emergency declarations on or after November 13, 2007, the State is eligible for management costs to administer the PA program. Management costs are defined as indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project. The available funding for management costs is based on a 3.34 percentage rate for disaster declarations and a 3.90 percentage rate for emergency declarations. The rate is applied to the projected Federal share of project funding. The State's request for management costs is subject to FEMA approval. A subgrantee may use management cost funding made available by the State, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR parts 206 and 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

Source of Governing Requirements

This program is authorized by 42 USC 5121 *et seq.* Program regulations issued by FEMA are codified at 44 CFR sections 206.200 through 206.349.

Availability of Other Program Information

Additional program information is available on the FEMA web site at <http://www.fema.gov/government/grant/pa/index.shtm>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

The allowed activities for the PA program are for the approved project as described on the PW and supporting documentation. The approved project may be repair or replacement of the damaged facility, an improved project, or an alternate project (44 CFR section 206.203).

B. Allowable Costs/Cost Principles

1. *Equipment Usage* – The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower. Provision is also made when no rates are established or the entity wishes to claim an equipment rate that exceeds the FEMA Schedule (44 CFR section 206.228(a)(1)).

2. *Administrative Costs*

- a. *Grantee*

For major disaster or emergency declarations before November 13, 2007, a State may use funds made available by FEMA under its administrative cost allowance only for extraordinary direct costs of preparing PWs, final inspection reports, project applications, etc., and for making final audits and related field inspections. Specific cost items allowable for such purposes include overtime pay, per diem and travel expenses for State employees, but not regular (straight time) salaries. Cost items not eligible for funding from the State's administrative cost allowance, but still related to managing the program, may be funded from the grant if prescribed in an

approved PW (44 CFR sections 206.228(a)(2) and (a)(3) and interim final rule, 44 CFR section 207.9, effective November 13, 2007 (72 FR 57878, October 11, 2007)).

For major disaster or emergency declarations on or after November 13, 2007, a State may request funds from FEMA for management costs, which include indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred in administering and managing the program within dollar ceilings and timeframes established by regulation (interim final rule, 44 CFR parts 206 and 207, effective November 13, 2007 (72 FR 57876 through 57878, October 11, 2007)).

b. *Subgrantee* –

For major disaster or emergency declarations prior to November 13, 2007, a subgrantee may use funds made available in its administrative cost allowance for necessary costs to request, obtain, and administer its subgrant. No other direct or indirect costs are allowable at the subgrantee level (44 CFR sections 206.228(a)(2) and (a)(3) and interim final rule, 44 CFR section 207.9, effective November 13, 2007 (72 FR 57878, October 11, 2007)).

For disaster or emergency declarations on or after November 13, 2007, a subgrantee may use management cost funding made available by the State, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR parts 206 and 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

3. *Force Account Labor Costs* – The straight- or regular-time salaries and benefits of a subgrantee’s permanently employed personnel are not eligible in calculating the cost of eligible work for emergency protective services or debris removal under sections 403 and 407 of the Stafford Act (42 USC 5170b and 5173, respectively). For performance of eligible permanent restoration under section 406 of the Stafford Act (42 USC 5172), straight-time salaries and benefits of a subgrantee’s permanently employed personnel are eligible (44 CFR section 206.228(a)(4)).
4. *Insurance and Other Recoveries* – Auditors are advised that there are likely to be amounts from insurance settlements, salvage, or other sources that must be considered in determining allowable costs because allowable costs must be net of applicable credits (42 USC 5155).

E. Eligibility

1. **Eligibility for Individuals** – Not Applicable
2. **Eligibility for Group of Individuals or Area of Service Delivery** – Not Applicable

3. Eligibility for Subrecipients

A State may award subgrants under this program to the following types of entities:

- a. State and local governments;
- b. Private non-profit organizations or institutions which own or operate a private non-profit facility, such as (but not limited to) an educational, medical, or custodial care facility, or other facility providing essential governmental type services to the public; and
- c. Indian tribes or authorized tribal organizations and Alaskan Native villages or organizations (but not Alaskan Native Corporations, the ownership of which is vested in private individuals) (44 CFR sections 206.221 and 206.222).

G. Matching, Level of Effort, Earmarking

1. Matching

- a. Costs must be on a shared basis, as specified in the FEMA-State Agreement. In general, the minimum Federal share is 75 percent of eligible costs (44 CFR section 206.65). The non-Federal share that is split between the State and each subgrantee may vary. The accountability for meeting the matching requirement resides with the State and is determined at the time of project accounting as part of project closeout (i.e., the non-Federal share does not have to be met until the end of the project).

However, matching requirements for alternate projects vary from this general rule and fall into one of two categories:

- (1) *Public facilities.* Eligible costs for public facilities are 90 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.

Basic Calculation:

\$100,000 – Eligible damage

_____ × .75 - % Federal Cost Share

\$ 75,000 – Subtotal

_____ × .90 – of Federal Cost Share

\$ 67,500 – Maximum amount subgrantee may receive.

In this example, the subgrantee must spend at least \$75,000 on the approved alternate project to receive \$67,500. If the subgrantee spends less than the alternate project amount, then the Federal cost share would be 75 percent of the actual amount spent.

- (2) *Private non-profit (PNP) facilities.* Eligible costs for PNP facilities are 75 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.

Basic Calculation:

\$100,000 – Eligible damage

_____ × .75 - % Federal Cost Share

\$ 75,000 – Subtotal

_____ × .75 – of Federal Cost Share

\$ 56,250 – Maximum amount subgrantee may receive.

In this example, the subgrantee must spend at least \$75,000 on the approved alternate project to receive \$56,250. If the subgrantee spends less than the alternate project amount, then the Federal cost share would be 75 percent of the actual amount spent.

- b. There is no matching requirement for PA grants made to Louisiana, Mississippi, Florida, Alabama and Texas in connection with Hurricanes Katrina, Wilma, Dennis and Rita (Title IV, Pub. L. No. 110-28).

2. Level of Effort – Not Applicable

3. Earmarking

For disaster or emergency declarations prior to November 13, 2007, the State makes funding available to subgrantees for their direct costs to request, obtain, and administer public assistance projects according to the following formula: (a) three percent of the subgrantee's first \$100,000 of net eligible project costs; (b) two percent of the subgrantee's next \$900,000 of such costs; (c) one percent of the subgrantee's next \$4 million of such costs; and (d) one-half of one percent of the subgrantee's net eligible costs over \$5 million (44 CFR section 206.228(a)(2) and interim final rule, 44 CFR section 207.9, effective November 13, 2007, 72 FR 57878, October 11, 2007).

For disaster or emergency declarations on or after November 13, 2007, the State makes management cost funding available to subgrantees, as prescribed in the State administrative plan, to administer PA projects (interim final rule, 44 CFR parts 206 and 207, effective November 13, 2007, 72 FR 57876 through 57878, October 11, 2007).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* – Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* – Applicable only to those non-Federal entities who do not utilize the Department of Health and Human Services, Payment Management System.
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- d. SF-272, *Federal Cash Transactions Report* – Not Applicable
- e. FEMA 20-10, *Financial Status Report (OMB No. 1660-0025)* – This form is generally used in lieu of the SF-269
- f. SF-425, *Federal Financial Report* – Applicable (cash status only)

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

4. Section 1512 ARRA Reporting – Not Applicable

5. Subaward Reporting under the Transparency Act – Applicable

N. Special Tests and Provisions

Project Accounting

Compliance Requirement – For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subgrantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Audit Objective – Determine whether ongoing and completed projects were accounted for in accordance with the required certification.

Suggested Audit Procedures

Projects not completed – Select a sample of ongoing large projects and ascertain if costs submitted for reimbursement were in compliance with the requirements for eligible work under the applicable PW. Testing should consider the differences in the requirements and approvals required of improved and alternate projects.

Completed projects – Select a sample of large projects completed during the audit period and ascertain if the entity’s files document the total costs as allowable costs and if the costs are for allowable activities under the applicable PW. This testing should consider the differences in the requirements and approvals required of improved and alternate projects.

IV. OTHER INFORMATION

Effective March 1, 2003, FEMA became part of DHS. Since recipients’ funding periods may not coincide with the change in CFDA number, recipients should include the CFDA number shown on their notices of award (whether 83.544 and/or 97.036) in completing the Schedule of Expenditures of Federal Awards (SEFA). When awards from both CFDA 97.036 and CFDA 83.544 are present, they should be combined when determining Type A programs. If the program was a major program under the legacy CFDA number in either of the previous two years, the provision in the risk-based approach for prior audits is considered to have been met. On the SEFA, both the DHS CFDA number and the legacy agency’s corresponding CFDA number should be presented separately.

See Appendix VI for information related to Hurricane Katrina.

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.039 HAZARD MITIGATION GRANT (HMGP)

I. PROGRAM OBJECTIVES

The Hazard Mitigation Grant Program (HMGP) is a cost-shared program administered by the Federal Emergency Management Agency (FEMA), Department of Homeland Security. The program's purpose 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, tribal or local hazard mitigation plans. It also provides funds designed to develop State, tribal, and local mitigation plans that meet the planning requirements outlined in 44 CFR part 201.

II. PROGRAM PROCEDURES

Program Administration

FEMA awards HMGP grants to States, which in turn may award subgrants to other State agencies, local governments, Indian tribal organizations, and other eligible entities. Each State administers the HMGP according to a FEMA-State Agreement, a comprehensive Standard or Enhanced State 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 assisting the State, approving or denying project applications, and reviewing the State's quarterly and final reports.

FEMA also provides funding for costs incurred by States and their subgrantees in administering HMGP. For Federal disasters declared prior to November 13, 2007, the State receives a statutory administrative cost allowance determined according to a formula based on percentages of the aggregate Federal share of funding provided to subgrantees for hazard mitigation projects. State management costs not covered by the allowance may be allowed with FEMA prior approval. The State awards statutory administrative cost allowances to subgrantees according to a formula based on percentages of the subgrantee'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, FEMA makes available funds for costs incurred by States and their subgrantees in administering and managing HMGP. These costs are now termed "management costs" and include any indirect costs, administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred by a State or local community in the administration and management of HMGP. A flat rate of 4.89 percent of the projected eligible program costs is used to calculate the Management Costs available to States and federally recognized Indian tribal governments. The States must make available a percentage or amount of pass-through funds for management costs to their subgrantees. The basis, criteria, or formula for equitable distribution is determined by the State and must be included in the FEMA-approved State Administrative Plan before funds for management costs can be awarded. Management costs are not subject to the Federal funding limits for HMGP projects (see III.G.1, "Matching").

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 declaration designating the State a disaster area. States have up to 12 months from the date the disaster is declared to review and submit applications for disasters declared on or after February 26, 2002. Disasters declared before February 26, 2002, have an application period of 18 months. The application must identify the specific mitigation measure(s) for which the State requests funding, and any entities to which the State intends to award subgrants.

In addition to submitting applications and supporting documents to FEMA, the Governor's Authorized Representative appoints a State Hazard Mitigation Officer. This official ensures that all potential applicants are made aware of the assistance available under the HMGP, and provides technical advice and assistance to eligible subgrantees. Indian tribal organizations can receive HMGP assistance as subgrantees of States or apply directly to FEMA. Where FEMA awards a grant directly to an Indian tribal government, the two entities enter into a FEMA-Tribal agreement modeled on the FEMA-State agreement.

Source of Governing Requirements

The HMGP is authorized by section 404 of the Stafford Act (42 USC 5170c). Program regulations are codified at 44 CFR parts 80; 201; 206, subpart N (Hazard Mitigation Grant Program); and 207.

Availability of Other Program Information

Additional program information and the HMGP *Desk Reference* are available at <http://www.fema.gov/government/grant/hmgp/index.shtm>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

The activities allowed for an HMGP project are those described in the grant application approved by FEMA and the supporting documentation. All projects funded must also conform to the State's and/or Tribe's (when applying directly to FEMA) comprehensive Hazard Mitigation Plan. Additionally, all subgrant projects funded under HMGP must be in accordance with priorities identified in tribal or local hazard mitigation plans (44 CFR sections 201.6 and 201.7). Eligible projects include, but are not limited to:

1. Structural hazard control or protection projects;
2. Construction activities that will result in protection from hazards;

3. Retrofitting of facilities;
4. Property acquisition or relocation;
5. Development of State or local mitigation standards;
6. Development of comprehensive mitigation programs with implementation as an essential component;
7. Development or improvement of warning systems; and
8. Development of a mitigation plan meeting the requirements of 44 CFR part 201. (44 CFR section 206.436(d)(2))

B. Allowable Costs/Cost Principles

1. *Administrative Costs for Federal disasters declared prior to November 13, 2007*
 - a. *Grantee Direct Costs* – A State may use funds made available by FEMA under its administrative cost allowance only for extraordinary direct costs of preparing applications and quarterly reports, and making final audits and related field inspections. Specific cost items allowable as direct administrative costs include overtime pay, per diem and travel expenses for State employees, but not their regular (straight-time) salaries. Cost items not eligible for funding from the State’s administrative cost allowance, but still related to managing the program, may be funded from the grant if FEMA gives prior approval. Regular (straight-time) salaries may be funded in this way. In the case of staffing costs for the State’s portion of the Joint Field Office, FEMA gives prior approval by approving the State’s staffing plan (44 CFR section 207.9(b)(1)).
 - b. *Subgrantee Administrative costs* – A subgrantee may use funds made available by the grantee in its administrative cost allowance only for direct costs of requesting, obtaining, and administering its subgrants (44 CFR section 207.9(b)(2)).
 - c. *Indirect Costs* – Grantee indirect costs identified in accordance with the Federal cost principles are allowable. Indirect costs at the subgrantee level are unallowable (44 CFR section 207.9(c)).
2. *Management Costs for Federal disasters declared on or after November 13, 2007*
 - a. *Grantee* – A State may use funds made available by FEMA under its management cost allowance for any indirect costs, any administrative expenses, and any other expenses not directly chargeable to a specific project that are reasonably incurred in administering and managing the HMGP. All charges must be in accordance with 44 CFR part 207.

- b. *Subgrantee* – The State makes funds for management costs available to subgrantees in accordance with the State’s FEMA-approved State Administrative Plan. A subgrantee 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.)

E. Eligibility

1. **Eligibility for Individuals** – Not Applicable
2. **Eligibility for Group of Individuals or Area of Service Delivery** – Not Applicable
3. **Eligibility for Subrecipients**

The following types of entities are eligible to apply to the State for HMGP subgrants: Additionally, an eligible entity must have a FEMA-approved Local or Tribal Mitigation Plan to be eligible to receive a project subgrant (44 CFR sections 201.6 and 201.7).

- a. State and local governments;
- b. Private non-profit organizations or institutions that own or operate a private non-profit facility as defined at 44 CFR section 206.221(e); and
- c. Tribes or authorized tribal organizations and Alaskan Native villages or organizations (44 CFR section 206.434(a)).

G. Matching, Level of Effort, Earmarking

1. Matching

The Federal and non-Federal shares of a grant’s cost are established in the State’s FEMA-State Agreement. While the non-Federal share may exceed the Federal share, it may never be less than 25 percent of the cost of a grant approved for disasters declared after June 10, 1993. (That is, the Federal share may never exceed 75 percent.) The Federal share may not exceed 50 percent for grants approved for disasters declared before that date. For Federal disasters declared prior to November 13, 2007, funds made available to a State or subgrantee in its administrative cost allowance are not subject to this limitation, i.e., funding for those costs may exceed 75 percent. Likewise, for Federal disasters declared on or after November 13, 2007, funds made available to a State for management costs or to a subgrantee for management costs that are not directly related to a specific grant are not subject to this limitation (44 CFR section 206.432(c)). The 2010 Supplemental Disaster Relief and Summer Jobs Act (Pub. L. No. 111-212,

Section 603) included language that allows the FEMA Administrator to consider the non-Federal cost share satisfied for all Katrina declarations. This language affects DR-1602-FL, DR-1603-LA, DR-1604-MS and DR-1605-AL.

2. **Level of Effort** – Not Applicable

3. **Earmarking** – Not Applicable

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* – Applicable
- b. SF-270, *Request for Advance or Reimbursement* – Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Applicable, but not required unless the State has a grant for direct construction.
- d. SF-272, *Federal Cash Transactions Report* – Not Applicable
- e. FEMA Form 20-10, *Financial Status Report (OMB No. 1660-0025)* – This form may be used in lieu of the SF-269, as determined by the grantee and the FEMA regional office.
- f. SF-425, *Federal Financial Report* – Applicable (cash status only)
- g. FEMA Form 20-18, *Report of Government Property (OMB No. 1660-0025)* – This form is submitted upon completion work under a grant, cooperative agreement, or contract. It provides an inventory of equipment purchased by the grantee or provided by the Federal Government. FEMA and the grantee use this information to determine the disposition of the equipment.
- h. FEMA Form 20-19, *Reconciliation of Grants and Cooperative Agreements (OMB No. 1660-0025)* – This report captures a State's program transactions and related unobligated balances of Federal funds, cash drawdowns, and undrawn cash balances. It is used to reconcile awards, outlays, and drawdowns during and at the completion of a HMGP grant.

Key Line Items – The following line items contain critical information:

B. History of Transactions:

- (1) Column (b) – *Description of Transaction*
- (2) Column (d) – *Total Federal Share*

(3) Column (f) – *Amount (of cash drawdown)*

2. **Performance Reporting** – Not Applicable
3. **Special Reporting** – Not Applicable
4. **Section 1512 ARRA Reporting** – Not Applicable
5. **Subaward Reporting under the Transparency Act** – Applicable

IV. OTHER INFORMATION

Subgrants to Other State Agencies

In the administration of this grant, the State may “subgrant” funds to another part of the State (e.g., a State agency). If the other part of the State receiving the subgrant is included in the audit of the State, such as a State-wide audit, then for purposes of determining Type A programs and reporting on the Schedule of Expenditures of Federal Awards, these “subgrants” within the single audit reporting entity should be eliminated. However, all Federal awards expended under this program by the State (including a part of the State receiving a subgrant from the State) should be subject to the State’s OMB Circular A-133 audit.

Transfer to Department of Homeland Security

Effective March 1, 2003, FEMA became part of the Department of Homeland Security (DHS). Since recipients’ funding periods may not coincide with this change in the CFDA number, recipients should include the CFDA number shown on their notices of award (whether 83.548 and/or 97.039) in completing the Schedule of Expenditures of Federal Awards (SEFA). When awards from both CFDA 97.039 and CFDA 83.548 are present, they should be combined when determining Type A programs. If the program was a major program under the legacy CFDA number in either of the previous two years, the provision in the risk-based approach for prior audits is considered to have been met. On the SEFA, both the DHS CFDA number and the legacy agency’s corresponding CFDA number should be presented separately.

Waiver for Disasters Declared for Hurricanes Katrina and Rita

A waiver from prior-approval requirements in OMB Circular A-87 applicable to pre-award costs has been granted for HMGP funding provided to the States of Louisiana and Mississippi for the specific disasters declared for Hurricanes Katrina and Rita.

In addition, FEMA extended regulatory HMGP application deadlines for the Gulf Coast States with major disaster declarations for the 2005 hurricanes, pursuant to Section 301 of the Stafford Act, which allows for a waiver of administrative conditions that cannot be met due to the disaster.

DEPARTMENT OF HOMELAND SECURITY

CFDA 97.067 HOMELAND SECURITY GRANT PROGRAM CFDA 97.004 STATE DOMESTIC PREPAREDNESS EQUIPMENT SUPPORT PROGRAM (State Homeland Security Grant Program)

I. PROGRAM OBJECTIVES

The Homeland Security Grant Program (HSGP) is intended to improve and significantly enhance the ability of the Nation to prevent, deter, respond to and recover from, threats and incidents of terrorism and to enhance regional preparedness. The HSGP provides financial assistance to the States (and through the States to local governments) to support activities such as planning, equipment, training, and exercises to address critical resource gaps identified in the assessments and priorities outlined within each States' Homeland Security Strategy. States are encouraged to develop regional approaches to planning and preparedness and to adopt, as appropriate, regional response structures.

II. PROGRAM PROCEDURES

HSGP funding is provided to the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, U. S. Territories, and select urban areas, by the Federal Emergency Management Agency (FEMA)/Grant Programs Directorate (GPD). The grants are awarded to a State Administrative Agency (SAA) that must pass through a specific percentage of the funds to local governments. GPD, formerly Grants and Training (G&T), is responsible for this program. GPD's Grants Management Division provides fiscal support and oversight of this grant program, however, GPD uses Department of Justice (DOJ)/Office of Justice Programs (OJP) systems for awarding grants and making grant payments under these programs.

Multiple Funding Streams

For awards made in FY 2004, funding for the State Homeland Security Program (SHSP), Citizen Corps Program (CCP), and the Law Enforcement Terrorism Prevention Program (LETPP) were combined in a single award under the HSGP. For awards made in FY 2005, the HSGP included the SHSP, CCP, LETPP, Urban Areas Security Initiative (UASI), Emergency Management Performance Grant (EMPG), Operation Stonegarden (OPSG), and the Metropolitan Medical Response System (MMRS). For awards made in FY 2006 and FY 2007, the HSGP program included SHSP, LETPP, CCP, UASI, and MMRS. EMPG was awarded as a stand-alone program beginning in FY 2006 (CFDA 97.042). Beginning in FY 2008 and continuing in FY 2010, per the *Implementing Recommendations of the 9/11 Commission Act of 2007* (Pub. L. No. 110-53), LETPP was no longer identified as a line item in DHS appropriations; however, 25 percent of SHSP and UASI funds must be set aside by grantees for law enforcement terrorism prevention activities. In FY 2008 and FY 2009, Operation Stonegarden was a separate grant program, but was combined with SHSP, UASI, CCP, and MMRS as part of the HSGP in FY 2010. Under the combined program, although States are advised of their funding allocations using the legacy CFDA numbers for each of the programs (see section IV, Other Information, of this program supplement), the awards and subawards (and reports based on them) should carry

the CFDA number shown on the legal award document for the period in which the funds were awarded.

The several funding streams and their objectives are as follows:

State Homeland Security Program (SHSP) provides funds to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts, including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices.

Citizens Corps Program (CCP) provides support to establish and operate Citizen Corps Councils to play a role in public outreach, education, and training to make States and local communities better prepared to respond in the event of an emergency.

Law Enforcement Terrorism Prevention Program (LETPP) provides funds to law enforcement communities to support critical terrorism prevention activities such as establishing and enhancing fusion centers.

Urban Areas Security Initiative (UASI) provides financial assistance to address the unique multi-discipline planning, operations, equipment, training, and exercise needs of high-threat Urban Areas.

Emergency Management Performance Grants (EMPG) assist States and local jurisdictions in the development, maintenance, and improvement of State and local emergency management capabilities, which are key components of a comprehensive national emergency management system for disasters and emergencies that may result from natural disasters or accidental or man-caused events.

Operation Stonegarden (OPSG) is intended to enhance cooperation and coordination among local, State and Federal law enforcement agencies in a joint mission to secure the United States borders along routes of ingress from international borders to include travel corridors in states bordering Mexico and Canada, as well as States and Territories with international water borders.

Metropolitan Medical Response Systems (MMRS) funding is intended to help U.S. cities prepare for a rapid, coordinated medical response by emergency first responders, public health systems, and hospitals to large-scale public emergencies. .

See section IV for additional information (including the CFDA numbers under which awards for the several funding streams were made in FY 2003).

Source of Governing Requirements

These programs are authorized under Section 430 of the Homeland Security Act of 2002, as amended (6 USC 101 *et seq.*); Section 1014 of USA PATRIOT Act of 2001 Pub. L. No. 107-56, 42 USC 3714); Section 101 of the Implementing Recommendations of the 9/11 Commission Act (Pub. L. No. 110-53); Title I, Chapter 6 of Pub. L. No. 108-11, the Wartime Supplemental Appropriations Act of 2003; Title III of the FY 2004 Department of Homeland Security Appropriations Act (Pub. L. No. 108-90); Title III of the FY 2005 Department of Homeland

Security Appropriations Act ((Pub. L. No. 108-334); Title III of the FY 2006 Department of Homeland Security Appropriations Act (Pub. L. No. 109-90); Title III of the FY 2007 Department of Homeland Security Appropriations Act (Pub. L. No. 109-295); Title III of the FY 2008 Consolidated Appropriations Act (Pub. L. No. 110-161, Division E); Title III of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 (Pub. L. No. 110-329, Division D); and the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended (42 USC 5121-5206) and the FY 2010 Department of Homeland Security Appropriations Act (Pub. L. No. 111-83). There are no program regulations. The applicable program guidance is incorporated by reference into awards and becomes part of the terms and conditions of award.

Availability of Other Program Information

Additional information is available at <http://www.fema.gov/government/grant/index.shtm>.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

1. Activities Allowed – General.

- a. Funds may be used to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices. Allowable activities include purchase of needed equipment and provision of training and technical assistance to State and local first responders (42 USC 3714(b)).
- b. Funds may be used for management and administration (42 USC 3714(c)(2); Title III, Pub. L. No. 108-334; Title III, Pub. L. No. 109-90; Pub. L. No. 110-329, Division D; Pub. L. No. 111-83) (see III.G.3.a. for a limitation).

2. Activities Allowed – FY 2003

Funds for critical infrastructure protection under the SHSP are available for operational costs to include personnel overtime as needed (Title I, Chapter 6, Pub. L. No. 108-11, 117 Stat 583).

3. *Activities Allowed – FYs 2004 – 2008*

Funds for SHSP, LETPP (through FY 2007) and UASI and, for FY 2008, funds awarded for law enforcement terrorism prevention under SHSP and UASI may be used for operational costs, including personnel overtime and overtime associated with G&T- or FEMA-certified training (Title III, Pub. L. No. 108-90; Title III, Pub. L. No. 108-334; Title III, Pub. L. No. 109-90; Pub. L. No. 109-295; Pub. L. No. 110-53, Pub. L. No. 110-161).

4. *Activities Allowed – FYs 2009-2010*

At least 25 percent of HSGP funds in FY 2009 were required to be allocated to the Strengthening Preparedness Planning Priority. In addition, as directed by the Personnel Reimbursement for Intelligence Corporation and Enhancement (PRICE) of Homeland Security Act (Pub. L. No. 110-412), all personnel and personnel-related costs, including those of intelligence analysts, are allowed up to 50 percent of SHSP and UASI funding without time limitation placed on the period of time that such personnel can serve. Critical Emergency supplies were also added as an allowable expense in furtherance of DHS' mission. In FY 2010, Operation Stonegarden activities were added to the HSGP portfolio.

5. *Activities Unallowed – FYs 2003 and 2004*

SHSP and LETPP funds may not be used for the construction or renovation of facilities (Title I, Chapter 6, Pub. L. No. 108-11, 117 Stat 583; Title III, Pub. L. No. 109-90).

6. *Activities Unallowed – FY 2005*

SHSP, LETPP, and UASI funds may not be used for construction or renovation other than for a minor perimeter security project not to exceed \$1 million (Title III, Pub. L. No. 108-334).

7. *Activities Unallowed – FYs 2006 – 2010*

SHSP, UASI, LETTP (for FYs 2006 and 2007), and, for FYs 2008, 2009 and 2010, funds awarded for law enforcement terrorism prevention activities under SHSP and UASI shall not be used for construction of facilities, except for a minor perimeter security project, not to exceed \$1,000,000 (or 15 percent of the grant award for FY 2008 or later awards), as determined necessary by the Secretary of Homeland Security. The erection of communication towers, which are included in a jurisdiction's interoperable communications plan, does not constitute construction (Conference Report 109-241 to the FY 2006 Department of Homeland Security Appropriations Act [Pub. L. No. 109-90], Title III, State and Local Programs; Title III, Pub. L. No. 109-295; Pub. L. No. 110-53; Pub. L. No. 110-161; Pub. L. No. 110-329, Division D).

8. *Activities Unallowed- FYs 2004 – 2010*

HSGP funds may not be used to support the hiring of sworn public safety officers for purposes of fulfilling traditional public safety duties or to supplant traditional public safety positions and responsibilities (6 USC 609(b)(1)(A)).

C. Cash Management

Beginning in FY 2005, HSGP awards to States were exempted from the provisions of 31 USC 6503(a) (the Cash Management Improvement Act (CMIA)) (Sec. 521, Pub. L. No. 108-334). In accordance with Pub. L. No. 109-241, the DHS FY 2006 Appropriations Act, and notwithstanding any other provision of law, this exemption became permanent.

Grantees are permitted to draw down funds up to 120 days prior to expenditure/disbursement, but must place those funds in an interest-bearing account, and the interest earned must be submitted to the U.S. Treasury. All other requirements of OMB Circulars A-102 and A-110 (FY 2006 and previous fiscal years, as implemented by DOJ at 28 CFR section 66.23 and 28 CFR section 70.22, respectively; for FY 2007 grants and thereafter, as implemented by FEMA at 44 CFR sections 13.21 and 13.23, respectively) or the Cash Management Improvement Act (31 USC 6503; 31 CFR part 205), as applicable, related to the retention and payment of interest apply.

G. Matching, Level of Effort, Earmarking

1. **Matching** – Not Applicable

2. **Level of Effort** – Not Applicable

3. **Earmarking**

- a. Not more than five percent of the FY 2006 and FY 2007 grant funds (three percent for 2005) made available to a State may be used for costs of management and administration (42 USC 3714(c)(2); Title III, Pub. L. No. 108-334; Conference Report 109-241 to the FY 2006 Department of Homeland Security Appropriations Act (Pub. L. No. 109-90)). For FY 2005, any portion of the three percent retained by the State for this purpose must be included within the maximum 20 percent of total funds retained by the State for the SHSP, LETPP, and UASI programs (Conference Report 108-774 to the FY 2005 Department of Homeland Security Appropriations Act (Pub. L. No. 108-334)). In FYs 2008, 2009 and 2010, not more than three percent of the grant funds may be used for costs of management and administration for SHSP and UASI (6 USC 609(a)(11)). In FY 2010, the amount of HSGP funds (exclusive of OPSG funds, if any) that grantees can allocate towards management and administration costs was increased to five percent.

- b. Each State shall obligate not less than 80 percent of grant funds under the SHSP, LETPP, and UASI programs to local units of government within 60 days of receipt of funds for awards from FYs 2004 to FY 2007 (Title III, Pub. L. No. 108-90; Title III, Pub. L. No. 108-334; Title III, Pub. L. No. 109-90; Title III, Pub. L. No. 109-295) or within 45 days of receipt of funds for awards in FYs 2003, 2008, 2009 and 2010. OPSG funds are included in the FY 2010 requirement (Title I, Chapter 6, Pub. L. No. 108-11, 117 Stat 583; 6 USC 605(c)(1)).

L. Reporting

1. Financial Reporting

- a. SF-269, *Financial Status Report* – Not Applicable
- b. SF-270, *Request for Advance or Reimbursement* – Not Applicable
- c. SF-271, *Outlay Report and Request for Reimbursement for Construction Program* – Not Applicable
- d. SF-272, *Federal Cash Transactions Report* – Not Applicable
- e. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

4. Section 1512 ARRA Reporting – Not Applicable

5. Subaward Reporting under the Transparency Act – Applicable

N. Special Tests and Provisions

Subgrant Awards

Compliance Requirement – Under the FY 2008-2010 awards for the SHSP and UASI programs, States must obligate funds for subgrants within 45 days after the date of the grant award (6 USC 605(c)(1)). “Obligate” has the same meaning as in Federal appropriations law, i.e., there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

Audit Objectives – To determine if (1) the State complied with the requirement to obligate funds for subgrants within 45 days after the date of the grant award and (2) subgrantees were able to draw down funds immediately following State obligation of funds.

Suggested Audit Procedures

- a. Determine if the State has written procedures for making subgrant awards, including any standards for administrative lead-time for obligation of funds and issuance of awards.
- b. Review the State's written procedures, if any, for consistency with the compliance requirement.
- c. Determine if subgrant amounts were obligated by the State in a timely manner, consistent with HSGP requirements and the State's own procedures.
- d. Select a sample of subgrant awards under this program and review the subrecipients' payment requests to determine if funds were disbursed by the State to the local government consistent with the dates of their awards.

IV. OTHER INFORMATION

When completing the Schedule of Expenditures of Federal Awards (SEFA), recipients should record their expenditures using the CFDA number(s) shown on the legal award document for the period in which the funds were awarded. Subawards issued by the primary grantee are legally binding agreements, and, therefore, CFDA numbers cited by the grantee in the subgrant award must be used by the subgrantee as the CFDA reference in the SEFA.

Expenditures identified under the Homeland Security Cluster in the current audit period may be attributable to awards made in both the current or prior years under other CFDA numbers. The current and previous CFDA numbers are shown in the following table. Expenditures under the CFDA numbers shown in the table should be combined when determining Type A programs unless otherwise indicated below. If a program(s) was a major program under the CFDA number shown in the table in either of the previous 2 years, the provision in the risk-based approach for prior audits is considered to have been met.

The following exceptions should be noted:

1. UASI grants, which are part of the Homeland Security Grant Cluster beginning with FY 2005 awards, should be evaluated separately in making the major program determination for years prior to FY 2005.
2. Although activities under CFDA 97.004 were folded into the SHSP and, subsequently, the HSGP, this CFDA number continues to be used in awards other than the SHSP or HSGP. Expenditures for awards under CFDA 97.004, State Domestic Preparedness Equipment Support Program, should not be included in the audit of this cluster, with the exception of FY2004 funding as identified in the following table.
3. Expenditures under EMPG and CCP awards that predated assignment of DHS numbers for these programs should not be included in the audit of this cluster.

<i>Year of Grant</i>	<i>SHSP</i>	<i>UASI</i>	<i>CCP</i>	<i>LETPP</i>	<i>EMPG</i>	<i>MMRS</i>	<i>OPSG</i>
2003	16.007	N/A	97.053	N/A	97.042	N/A	N/A
2004	16.007 (supplemental award)* 97.004	N/A	97.004	97.004	97.042	97.071	N/A
2005	97.067**	97.067	97.067	97.067***	97.067	97.067	N/A
2006 and 2007	97.067	97.067	97.067	97.067	N/A (no longer part of the cluster)	97.067	97.067*****
2008	97.067	97.067	97.067	Program no longer a separate line-item	N/A (no longer part of the cluster)	97.067	97.067*****
2009 2010	97.067	97.067	97.067*****	Program no longer a separate line-item	N/A (no longer part of the cluster)	97.067*****	97.067

* Pub. L. No. 108-11 (Emergency Wartime Supplemental Appropriations Act, 2003) appropriated supplemental FY 2003 funds. The appropriations legislation made funds available until December 31, 2003 and awards from this supplemental were made under CFDA 16.007.

** At the subgrantee level, this CFDA number may have been listed as 97.073 and should be included in this cluster.

*** At the subgrantee level, this CFDA number may have been listed as 97.074 and should be included in this cluster.

**** At the subgrantee level, the CFDA numbers may have been listed as 97.053, and 97.071, and should be included in this cluster.

***** OPSG used CFDA 97.067, but had separately published guidance and separate awards were issued in FY 2008 and FY 2009.

It also should be noted that, except as otherwise provided by statute, DHS awards of property and/or equipment are subject to the requirements of OMB Circular A-133. A DHS policy statement that addresses this requirement is available at http://www.dhs.gov/xopnbiz/grants/gc_1162481125903.shtm.

DEPARTMENT OF HOMELAND SECURITY**CFDA 97.109 DISASTER HOUSING ASSISTANCE GRANT****I. PROGRAM OBJECTIVES**

The Disaster Housing Assistance Program (DHAP) is administered by the U.S. Department of Housing and Urban Development (HUD) under an interagency agreement between the Department of Homeland Security (DHS)/Federal Emergency Management Agency (FEMA)/ and HUD. The purpose of this program is to provide temporary housing assistance to low-income families who were displaced by Hurricanes Katrina, Rita, Gustav, and Ike. DHAP provides rental assistance through housing subsidies to families displaced by the hurricanes.

II. PROGRAM PROCEDURES**Program Administration**

On July 26, 2007, DHS/FEMA and HUD executed an interagency agreement establishing the DHAP, a temporary housing rental assistance and case management program for identified individuals and households displaced by Hurricanes Katrina, Rita, Gustav, and Ike. The program will be administered through HUD's existing network of Public Housing Agencies (PHAs). The PHAs have the necessary local housing market knowledge and expertise in assisting families through a tenant-based subsidy program. In addition, through their administration of both the Katrina Disaster Housing Assistance Program (KDHAP) and Disaster Voucher Program (DVP), the PHAs are experienced in working with significant numbers of families that have been displaced by disasters.

Application and Award Process

PHAs enter into grant agreements with FEMA to provide rent subsidies to eligible families for a period not to exceed 16 months commencing November 1, 2007 and ending March 1, 2009. To be eligible for DHAP, a family must have been displaced by Hurricane Katrina, Rita, Gustav, or Ike and, consequently, is either receiving or is eligible to receive rental assistance administered by FEMA. FEMA, not the PHA, determines if the family is initially eligible to receive assistance under the DHAP. The PHA verifies that FEMA has determined that a family is eligible for the DHAP through HUD's web-based Disaster Information System (DIS).

Source of Governing Requirements

DHAP is based on DHS's general grant authority under section 102(b)(2) of the Homeland Security Act (6 USC 112) and Sections 408 (b)(1), 426 and 306(a) of the Robert T. Stafford Act (42 USC 5174(B)(1), 5189d and 5149(a), respectively).

Availability of Other Program Information

Additional program information is available from the FEMA web site at: www.fema.gov and www.hud.gov

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for a Federal program, the auditor should first look to Part 2, Matrix of Compliance Requirements, to identify which of the 14 types of compliance requirements described in Part 3 are applicable and then look to Parts 3 and 4 for the details of the requirements.

A. Activities Allowed or Unallowed

DHAP funding is for the purpose of rental subsidies to eligible families for a period not to exceed 16 months commencing November 1, 2007 and ending March 1, 2009. DHAP funding may not be used for other activities or costs, and remains separate and distinct from the PHA's regular voucher program and the DVP in terms of the source and use of the funding. PHAs must ensure that these funds are used for eligible purposes.

1. Funds may be used for administering DHAP up to 15 percent of the initial DHAP rent subsidy payment.
2. *Monthly Rent.* The monthly rent specified in the lease is the total monthly rent payable to the owner under the lease for the unit. The monthly rent specified under the lease covers payment for any housing services, maintenance, and utilities that the owner is required to provide and pay for.
 - a. *FEMA Rental Assistance Family Transitioning to DHAP In-Place:* the monthly rent subsidy for that unit equals the lesser of: the monthly rent specified in the lease or the greater of:
 - (1) The applicable Fair Market Rents (FMR) published for the area where the unit is located.
 - (2) The applicable payment standard for the PHA's HCV program.
 - (3) The amount of monthly assistance the family received under the FEMA
 - b. *All Other Families:* the monthly rent subsidy equals the lesser of: the monthly rent specified in the lease; or the greater of:
 - (1) The applicable FMR published for the area where the unit is located.
 - (2) The applicable payment standard for the PHA's HCV program.
 - c. *Incremental Rent Transition:* On March 1, 2008, families participating in the DHAP will be required to pay a portion of the rent (in addition to any existing family share in cases where the monthly rent already exceeds the monthly rent subsidy) in preparation towards self-sufficiency when the DHAP ends on March 1, 2009. PHAs will implement the incremental rent

transition by reducing the rental subsidy payment by \$50 for the March 2008 rent subsidy payment. This reduction will be incrementally increased by an additional \$50 each month thereafter until the family's participation in DHAP ends or March 1, 2009, whichever is earlier.

B. Allowable Costs/Cost Principles

DHAP has been granted a waiver from OMB for the cost principles and administrative requirements outlined in OMB Circular A-87 and the A-102 common rule; however, these funds are governed by financial management compliance requirements contained in HUD's authorizing law and regulations. DHAP will be governed using the financial management requirements of HUD's Section 8 program; therefore, the program supplement for CFDA 14.871 should be used when determining compliance.

E. Eligibility

1. Eligibility for Individuals

PHAs may provide assistance only to families determined to be eligible by FEMA.

2. Eligibility for Group of Individuals or Area of Service Delivery – Not Applicable

3. Eligibility for Subrecipients – Not Applicable

L. Reporting

1. Financial Reporting

a. SF-269, *Financial Status Report* – Not Applicable

b. SF-270, *Request for Advance or Reimbursement* – Not Applicable

c. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable

d. SF-272, *Federal Cash Transactions Report* – Not Applicable

e. SF-425, *Federal Financial Report* – Not Applicable

2. Performance Reporting – Not Applicable

3. Special Reporting – Not Applicable

4. Section 1512 ARRA Reporting – Not Applicable

5. Subaward Reporting under the Transparency Act – Not Applicable

N. Special Tests and Provisions**Identification of Expenditures under the DHAP Program**

Compliance Requirement – The PHA is required to maintain records that allow for the easy identification of families assisted under DHAP, and must report actual monthly leasing and expenditure for such families separately from housing choice voucher and DVP families under the Voucher Management System (VMS). The PHA must maintain a separate DHAP register to record and control assistance payments for DHAP rent subsidies.

Audit Objective – Determine whether PHAs are maintaining separately identifiable records of payments under DHAP.

Suggested Audit Procedures

1. Review PHA procedures related to creation and maintenance of records for individuals assisted under DHAP.
2. Select a sample of DHAP payments and determine whether records related to those payments are separately identified from other PHA-administered programs.