

97.036

**PUBLIC ASSISTANCE PROGRAM (PA)**

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**State Project/Program: PUBLIC ASSISTANCE PROGRAM (PA)**

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

**Federal Authorization:** [Robert T. Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended; 44 CFR Part 206 \(Subparts G - I\); PA Program & Policy Guide \(PAPPG\).](#)

The program is also responsible for complying with other regulatory requirements, such as those found in [2 CFR Part 200](#), insurance requirements, floodplain management requirements, and environmental and historic preservation requirements.

For more information, see: <https://www.fema.gov/assistance/public>.

**State Authorization:** N/A

**North Carolina Department of Public Safety (NCDPS)  
North Carolina Emergency Management (NCEM), Recovery Section**

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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 mission of the Federal Emergency Management Agency’s (FEMA) Public Assistance (PA) grant program is to provide assistance to state, tribal, territorial, and local governments (SLTT), and certain types of private nonprofit (PNP) organizations so that communities can quickly respond to and recover from major disasters or emergencies declared by the president.

PA assists eligible applicants responding to and recovering from the devastating effects of disasters by providing assistance for debris removal ([Category A](#)), emergency protective measures ([Category B](#)), and the repair, restoration, reconstruction or replacement of public and eligible private non-profit facilities or infrastructure (e.g. roads, bridges, buildings & parks) damaged or destroyed as the result of federally declared disasters or emergencies ([Categories C - G](#)). Following a Presidential declaration, PA grants may be made for: removal of wreckage and debris from private and public lands; performance of emergency protective measures; emergency transportation assistance; emergency communications; and permanent restoration of eligible facilities.

## 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 to assist state, local, tribal, and territorial (SLTT) governments and certain PNP entities to respond to and recover from disasters. Specifically, through the PA program, FEMA provides supplemental federal disaster grants assistance for debris removal, emergency protective measures, and the restoration of disaster-damaged, publicly owned facilities and the facilities of certain PNP organizations. The PA program also encourages protection of these damaged facilities from future events by providing assistance for hazard mitigation measures during the recovery process. The recovery process consists of exploratory calls, recovery scoping meetings, project formulations, obligations, reimbursements, and project and disaster closeouts.

The PA program is based on a partnership with the recipient (state, tribal, or territorial government), the subrecipient (local government or PNP) and FEMA. FEMA is responsible for managing the program, approving grants, and providing technical assistance to the SLTT and subrecipients. The state, in most cases, acts as the recipient for the PA program and is responsible for providing technical advice and assistance to eligible subrecipients, providing state support for damage survey activities, ensuring that all potential applicants are aware of funding assistance available, and submitting documents necessary for grant awards ([44 CFR sections 206.200 through 206.349](#)) (an Indian tribal and territorial government may also be a recipient). The subrecipient requests assistance, identifies the damaged facilities, provides information to support the request, maintains accurate documentation, and performs necessary work (a recipient can also be a subrecipient). **The subrecipient of a PA grant (local government or PNP) may also be interchangeably referred to as “applicant” or “sub-grantee” depending on the context.**

## Public Assistance Terms and Definitions

For a complete list of terms and definitions refer to the most recent version of the Public Assistance Program and Policy Guide (PAPPG) available here: <https://www.fema.gov/media-library/assets/documents/111781>.

### Project Funding:

The PA **Project Worksheet (PW)** is the form FEMA uses to document the details of the applicant's project and costs claimed ([Project Worksheet FEMA Form FF-104-FY-21-133](#)). The PW contains the information necessary for authorized FEMA personnel to review and approve the scope of work (SOW) and costs. If approved, FEMA obligates the federal share of the eligible [44 CFR section 206.204\(d\)\(2\)](#) project cost to the recipient. Once obligated, the PW constitutes the official record of the approved scope of work for the project.

### Project Thresholds:

FEMA establishes a minimum project threshold for each federal fiscal year. The threshold applies to incidents declared within that fiscal year and is based on the Consumer Price Index. FEMA establishes a dollar threshold each federal fiscal year for the implementation of Simplified Procedures under Section 422 of the Stafford Act. This threshold defines a project as large or small. FEMA categorizes projects as large or small based on the final approved amount of eligible costs after any cost adjustments, including insurance reductions:

- A [Large Project](#) is a PW with a cost equal to or greater than the threshold.
- A [Small Project](#) is a PW with a cost below the threshold.

For large projects that are not capped projects (projects for which funding is capped at a certain amount), FEMA adjusts any estimated costs to the actual incurred amount so that the final approved funding is based on actual cost. For small projects, FEMA does not adjust estimated costs to the actual incurred amount.

### Project Types:

**Capped Projects.** FEMA provides three options that provide flexibility for the applicant to use PA funding differently than restoring the pre-disaster design and function of the facility. For these options, FEMA caps the amount of PA funding based on the estimated amount to restore the damaged facility to its pre-disaster design and function, including applicable and federally required codes and standards.

**Improved Project:** A project that restores the pre-disaster function, and at least the same capacity, of the damaged facility and incorporates improvements or changes to its pre-disaster design not required by eligible codes or standards.

**Alternate Projects:** The use of funds toward a project that does not restore the pre-disaster function of the damaged facility. If the applicant determines the public welfare would not be best served by restoring a damaged public facility or its function, it may use the toward a different facility (or facilities) that benefit the same community.

**Alternative Procedures:** The Sandy Recovery Improvement Act of 2013 (Pub. L. No. 113-2) amended Title IV of the Stafford Act (42 USC 5121 et seq.) (Stafford Act) by adding Section 428, which authorizes FEMA to implement alternative procedures for the PA program, under sections 403(a)(3)(A), 406, 407, and 502(a)(5) of the Stafford Act, through a pilot program.

**III. COMPLIANCE REQUIREMENTS**

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and this 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	N	N	N	Y	Y	Y*	N	Y	Y*	Y

**A. Activities Allowed or Unallowed**

Compliance Requirement

Only those activities that provide supplemental disaster assistance as documented by State and FEMA approved Project Worksheets (PW) are allowed in areas that are subject to a disaster or emergency declared by the President of the United States.

Debris Removal (Category A)

For FEMA to determine the eligibility of debris removal operations, the applicant must provide debris types, quantities, reduction methods, and pickup and disposal locations. FEMA requires the applicant to monitor all contracted debris operations to document this

information and ensure that its contractor removes eligible debris. If the applicant does not monitor contracted debris removal operations, it will jeopardize its PA funding for that work.

Applicant may use force account resources (including temporary hires), contractors, or a combination of these for monitoring. It is not necessary, or cost-effective, to have Professional Engineers or other certified professionals perform debris monitoring duties. FEMA considers costs unreasonable when associated with the use of staff that are more highly qualified than necessary for the associated work. If applicant uses staff with professional qualifications to conduct debris monitoring, it must document the reason it needed staff with those qualifications. FEMA provides training to the applicant's force account debris monitors upon request.

Eligible activities associated with debris monitoring include, but are not limited to:

- Field supervisory oversight
- Monitoring contracted debris removal at both the loading and disposal sites
- Compiling documentation, such as load tickets and monitor reports, to substantiate eligible debris
- Training debris monitors on debris removal operations, monitoring responsibilities and documentation processes, and FEMA debris eligibility criteria.

#### Suggested Audit Procedures

1. Review grant application, award letter, MOA/grant agreement, approved PW(s) and any amendments/versions for approved project(s) and applicable terms, conditions, requirements & responsibilities of subrecipient. The PW details the project and costs. Once approved by FEMA ("obligated"), the PW constitutes the official record of the approved scope of work for the project. Activities within the approved PW (and any authorized amendments/versions) are allowed. Activities outside the approved PW (and any authorized amendments/versions) are not allowed.
2. Test expenditures and related records in the subrecipient's file for maintenance of required documentation (procurement, contracts, invoices, force account summaries for labor, equipment and materials, personnel policy, building codes, insurance settlements, project extension approvals, improved/alternate project approval if applicable and debris documentation) and adherence to project expenses as approved in the PW.

## **B. Allowable Costs/Cost Principles**

### Compliance Requirement

FEMA evaluates the eligibility of all costs claimed by the applicant. Not all costs incurred as a result of the incident are eligible.

#### All Costs must be:

- Directly tied to the performance of eligible work;
- Adequately documented ([2 CFR section 200.403\(g\)](#));
- Reduced by all applicable credits, such as insurance proceeds and salvage values (Stafford Act section 312, 42 USC section 5155, and [2 CFR section 200.406](#));
- Authorized and not prohibited under federal, state, territorial, tribal, or local government laws or regulations;

- Consistent with applicant’s internal policies, regulations, and procedures that apply uniformly to both federal awards and other activities of the applicant; and
- Necessary and reasonable to accomplish the work properly and efficiently ([2 CFR section 200.403](#)).

### 1. *Applicant (Force Account) Labor*

FEMA refers to the applicant’s personnel as “force account.” FEMA reimburses force account labor based on actual hourly rates plus the cost of the employee’s actual fringe benefits. FEMA calculates the fringe benefit cost based on a percentage of the hourly pay rate. Because certain items in a benefit package are not dependent on hours worked (e.g., health insurance), the percentage for overtime is usually different than the percentage for straight-time.

### 2. *Applicant (Force Account) Equipment and Purchase Equipment*

FEMA provides PA funding for the use of applicant-owned equipment (force account equipment), including permanently mounted generators, based on hourly rates. FEMA may provide PA funding based on mileage for vehicles, if the mileage is documented and is less costly than hourly rates.

There are instances when an applicant does not have sufficient equipment to effectively respond to an incident. If the applicant purchases equipment that it justifiably needs to respond effectively to the incident, FEMA provides PA funding for both the purchase price and either:

- The use of the equipment based on equipment rates (without the ownership and depreciation components); or
- The actual fuel and maintenance costs.

FEMA provides PA funding for force account equipment usage based on FEMA, state, territorial, tribal, or local equipment rates in accordance with the specific criteria.

### 3. *Contracts*

FEMA reimburses costs incurred using three types of contract payment obligations: fixed-price, cost-reimbursement, and, to a limited extent, time and materials (T&M). The specific contract types related to each of these are described in FEMA’s *Procurement Guidance for Recipients and Subrecipients Under 2 CFR Part 200 (Uniform Rules)*.

The applicant must include required provisions in all contracts awarded and maintain oversight to ensure that contractors perform according to the conditions and specifications of the contract and any purchase orders. FEMA does not reimburse costs incurred under a cost plus a percentage of cost contract or a contract with a percentage of construction cost method.

### 4. *Mutual Aid*

When an applicant does not have sufficient resources to respond to an incident, it may request resources from another jurisdiction through a “mutual aid” agreement. FEMA refers to the entity requesting resources as the Requesting Entity. FEMA refers to the entity providing the requested resource as the Providing Entity.

FEMA provides PA funding to the Requesting Entity as it is legally responsible for the work. FEMA does not provide PA funding directly to the Providing Entity. For the work to be eligible, the Requesting Entity must have requested the resources provided.

#### *5. Donated Resources*

Individuals and organizations often donate resources (equipment, supplies, materials, or labor) to assist with response activities. FEMA does not provide PA funding for donated resources; however, the applicant may use the value of donated resources to offset the nonfederal share of its eligible Emergency Work projects and Direct Federal Assistance.

#### *6. Section 324 Management Costs*

Section 1215 of the Disaster Recovery Reform Act Expands the definition of management costs to include both direct and indirect administrative expenses by the state, local, tribal, or territorial government. It also establishes the following rates for the PA program:

- Up to 12 percent of the total award amount with up to 7 percent for the recipient and 5 percent for the subrecipient.

#### *7. Insurance Proceeds*

FEMA cannot provide PA funding that duplicates insurance proceeds. Consequently, FEMA reduces eligible costs by the amount of:

- Actual insurance proceeds, if known; or
- Anticipated insurance proceeds based on the applicant’s insurance policy if the amount of actual insurance proceeds is unknown. FEMA subsequently adjusts the eligible costs based on the actual amount of insurance proceeds the applicant receives.

#### Suggested Audit Procedures

1. Review PA application, award letter, MOA/grant agreement and approved PW(s) for approved scope of work/project(s) and applicable terms, conditions, requirements and responsibilities of subrecipient.
2. Review requests for reimbursement submitted by subrecipient.
3. Test expenditures and related records for adherence to approved budget and cost principles of 2 CFR 200 for local governments (and A-122 cost principles for private non-profit organizations).

4. 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).
5. Review and test the expenditures and reports to ascertain total cost of project and verify that they are eligible. Verify costs were adequately documented.
6. Verify costs were not included as a cost of any other federally financed program in either the current or a prior period.
7. Verify costs were not used to meet the cost-sharing or matching requirements of another federal program, except where authorized by federal statute.

**C. Cash Management**

**D. Reserve**

**E. Eligibility**

**F. Equipment and Real Property Management**

**G. Matching, Level of Effort, Earmarking**

Compliance Requirement

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 nonfederal share that is split between the state and each subrecipient 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 nonfederal share does not have to be met until the end of the project).

Funding for PA is paid proportionately by the State agency (NCDPS/NCEM) and FEMA. Generally, the federal contribution is 75% and the State contribution is 25%. For large disasters that exceed the North Carolina Statewide Impact Cost Share Adjustment (such as Hurricanes Floyd and Fran), the matching ratio may be adjusted to higher percentages of federal share, such as 90% federal and 10% state, or even 100% federal for some emergencies such as COVID-19 (depending on time frame).

NCDPS/NCEM serves as grantee/recipient for all funds under this program. Subrecipients of grant funds from NCDPS/NCEM under this program may also be referred to as sub-grantees or applicants.

Suggested Audit Procedures

There is currently no match requirement at the local level for subrecipients of PA funds for federally declared disasters in the state of NC; however, subrecipients must properly

report the percentage of funds received from federal and state sources for PA awards on their respective Schedule of Expenditures of Federal Awards (SEFA) / Schedule of Expenditures of Federal & State Awards (SEFSA) if they are required to complete/file an audit under federal or state law.

## **H. Period of Performance**

### Compliance Requirement

The applicant should identify and report all damages to FEMA within 60 days of their “Kick-off Meeting” with FEMA and NCEM. Note that this date could be different for each applicant. For large disasters this 60-day period to identify and report damage may be extended. Projects must be completed within the time limits established under [44 CFR §206.204](#).

When NCDPS/NCEM subawards these funds, the specific period of performance for each subrecipient is specified for each approved project in the PW(s) and any approved extensions. It is not uncommon for subrecipients to receive multiple PA awards for different disasters and/or to have multiple approved projects within a single disaster. The PW for each approved project for each disaster for which there is a PA award should be separately reviewed to determine the specific period of performance for each project.

### Suggested Audit Procedures

Verify that all projects were completed within the approved time per the specified period of performance. Verify existence of sufficient documentation from NCDPS/NCEM authorizing any period of performance extensions claimed by subrecipient for approved projects. There may be different periods of performance to review if a subrecipient has received multiple PA awards for different disasters, or has multiple approved PWs within a single disaster.

## **I. Procurement and Suspension and Debarment\***

### Compliance Requirement

While this compliance requirement is not listed for PA (97.036) in the OMB Compliance Supplement Part 2 federal matrix, NCDPS/NCEM has added it because subrecipients can (and often do) procure goods and services with PA funds.

Procurement and suspension/debarment requirements are discussed in the MOA/grant agreement executed by each subrecipient.

### Procurement

All applicants must comply with Federal procurement standards as a condition of receiving PA funding for contract costs for eligible work. Federal procurement standards for State and Territorial governments are different than those for Tribal and local governments and PNPs. State and Territorial government applicants must follow the same policies and procedures they would use for procurements with non-Federal funds; comply with [2 CFR § 200.323](#), Procurement of recovered materials; and ensure that every purchase order or other contract includes any clauses required by [2 CFR § 200.327](#), Contract provisions. Non-State Applicants (Tribal and local governments and PNPs)

must use their own documented procurement procedures that reflect applicable State, Territorial, Tribal, and local government laws and regulations, provided that the procurements conform to applicable Federal law and standards.

For procurement with PA funds, [state agencies are generally required to follow state of NC procurement policies and procedures](#), plus a few additional federal requirements when purchasing goods and services with federal grant funds. [Local governments and non-profit organizations that receive grant funding through NCDPS/NCEM are generally required to follow the most restrictive of all federal, state of NC, and their own local procurement policies and procedures](#) that allows for compliance with all applicable layers (federal, state & their own).

#### Suspension and Debarment

Subrecipients are required to check both the federal System for Awards Management (SAM), <https://sam.gov/content/exclusions>, and the State Debarred Vendors Listing, <https://ncadmin.nc.gov/documents/nc-debarred-vendors>, to verify that all vendors, contractors and sub-grantees have not been suspended or debarred from doing business with the federal or state government.

Subrecipients are also prohibited from procurement, contracting and/or sub-granting with any entity listed on the [Suspension of Funding List](#) (SOFL) maintained by the State Office of State Budget Management (OSBM).

#### Suggested Audit Procedures

1. Review subrecipient's procurement policies and verify that the policies comply with applicable federal and state requirements if subrecipient has purchased goods or services with PA funds.
2. Verify that subrecipient has written standards of conduct that cover conflicts of interest and govern the performance of its employees engaged in the selection, award, and administration of contracts ([2 CFR 200.318\(c\)](#) and [48 CFR 52.203-13](#) and [52.303-16](#)).
3. Ascertain if subrecipient has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If yes, verify that these limitations were not applied to federally funded procurements except where applicable federal statutes expressly mandate or encourage geographic preference ([2 CFR 200.319\(c\)](#)).
4. Select a sample of procurements and perform the following procedures:
  - a. Examine contract files and verify that they document the history of the procurement, including the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price ([2 CFR 200.318\(i\)](#) and [48 CFR Part 44](#) and section [52.244-2](#)).
  - b. Verify that the procurement method used was appropriate based on the dollar amount and conditions specified in [2 CFR section 200.320](#). Current micro-purchase and simplified acquisition thresholds can be found in the FAR ([48 CFR Subpart 2.1](#), "Definitions").
  - c. Verify that procurements provide full and open competition ([2 CFR 200.319](#) and [48 CFR 52.244-5](#)).

d. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified ([2 CFR sections 200.319](#) and 200.320(f) and [48 CFR 52.244-5](#)).

e. Ascertain if cost or price analysis was performed in connection with all procurement actions exceeding the simplified acquisition threshold, including contract modifications, and that this analysis supported the procurement action ([2 CFR 200.323](#) and 48 CFR 15.404-3).

Note: A cost or price analysis is required for each procurement action, including each contract modification, when the total amount of the contract and related modifications is greater than the simplified acquisition threshold.

f. Verify consent to subcontract was obtained when required by the terms and conditions of a cost reimbursement contract under the FAR ([48 CFR 52.244-2](#)).

Note: If the non-federal entity has an approved purchasing system, consent to subcontract may not be required unless specifically identified by contract terms or conditions. The auditor should verify that the approval of the purchasing system is effective for the audit period being reviewed.

5. Review the non-federal entity's procedures for verifying that an entity with which it plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded (2 CFR sections 200.212 and [200.318\(h\)](#); 2 CFR 180.300; 48 CFR 52.2096).

6. Select a sample of procurements and subawards and test whether the non-federal entity followed its procedures before entering into a covered transaction.

7. Ensure that subrecipient complies with all procurement and suspension/debarment requirements specified in the MOA/grant agreement for all purchases/contracts funded/reimbursed with PA funds.

## **J. Program Income**

## **K. Reserve**

## **L. Reporting**

### Compliance Requirement

#### *Small Projects*

PA funds are generally remitted to subrecipients on a reimbursement basis except in the case of [Small Projects](#) (less than \$132,800 in federal FY21 or \$139,800 in federal FY22; threshold changes every FY), where the total estimated amount of the PW for a Small Project is paid to subrecipient based on approval and authorization of funds for the PW by FEMA.

Subrecipients are required to expend the advancement for [Small Projects](#) as specified in the approved PW. The Federal payment for Small Projects is not reduced if all of the approved funds are not spent to complete a Small Project. However, failure to complete a Small Project may require that the Federal payment be refunded. See [44 CFR section 206.205](#).

*Large Projects*

Subrecipients must submit requests for reimbursement/payment to NCDPS/NCEM for approved expenditures for [Large Projects](#) (greater than \$132,800 in federal FY21 or \$139,800 in federal FY22; threshold changes every FY).

Subrecipients are required to maintain and submit proper documentation to support reimbursement/payment claims for [Large Projects](#) as specified in the approved PW in accordance with FEMA policy guidance.

Subrecipients must submit quarterly progress reports to NCDPS/NCEM for all Large Projects with ongoing work until project closeout. Subrecipients must submit requests for final inspection (“FIR” or “Final Inspection Report”) within 90 days of 100% work completed for each project.

Suggested Audit Procedures

*Small Projects*

1. Verify that subrecipient expended advancements for completion of Small Projects as specified in the approved PW(s), or refunded if the projects are not completed as required, in accordance with FEMA policy guidance and [44 CFR section 206.205](#).

*Large Projects*

Suggested Audit Procedures

1. Review application, award letter, MOA/grant agreement and approved PW(s) for reporting requirements and approved scope of work for the project(s).
2. Verify that reports submitted by subrecipient (including 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.
3. Verify that all goods and services for which subrecipient was reimbursed by NCDPS/NCEM were in fact obtained/completed in accordance with the approved scope of work for the project(s) specified in the PA application, award letter, MOA/grant agreement and approved PW(s).

**M. Subrecipient Monitoring\***

While this compliance requirement is listed for PA (97.036) in the OMB Compliance Supplement Part 2 federal matrix, it is only applicable to NCDPS/NCEM itself as the recipient of the PA award from DHS/FEMA on behalf of the state of North Carolina. It is generally not applicable to subrecipients that NCDPS/NCEM subawards PA funds to in execution of the award.

NCPDS/NCEM serves as the pass-through entity awarding the PA funds from DHS/FEMA to the subrecipients to complete approved projects. The subrecipients generally do not further subgrant the funds to other entities.

NCDPS/NCEM monitors subrecipients in accordance with the provisions of [2 CFR 200.332](#). Audits of subrecipients required under federal and state law are an important component of the NCDPS/NCEM subrecipient monitoring program.

## **N. Special Tests and Provisions**

### **1. Project Accounting**

#### Compliance Requirements

For large projects, the state is required to make an accounting to FEMA of eligible costs. Similarly, the subrecipient must make an accounting to the state upon completion of the projects(s). 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, all grant conditions were met, and that payments for that project were made in accordance with the applicable 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 Objectives

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.

### **2. Insurance**

#### Compliance Requirement

As a condition of receiving Federal assistance for restoration of certain facilities, sub-grantees may be required to obtain and maintain specified types and amounts of insurance. (See [44 CFR §206.250](#), et seq.) This requirement is stipulated on the obligated project worksheet.

#### Suggested Audit Procedures

1. Review a sample of those projects for which insurance commitments were required.
2. Determine whether the type and extent of insurance required were obtained and maintained.

### **3. Duplication of benefits**

#### Compliance Requirement

Funds for insurance settlements, salvage, or other sources for specific losses must be deducted by the subrecipient from its claim. This prevents duplication of benefits.

#### Suggested Audit Procedures

1. Review insurance policies, minutes of legislative body meetings and other sources likely to reveal the existence of insurance claims, salvage payments and similar payments.
2. Test financial records and determine that any such receipts were processed in the proper manner.
3. Obtain a representation letter containing a statement that no insurance recoveries, salvage receipts, or other payments for specific losses were received other than those listed.

### **4. Improved Projects**

#### Compliance Requirement

Funds approved and capped for an improved project can only be used as a contribution toward the construction of larger or improved facilities that restore at least the pre-disaster function of the damaged or destroyed facility. ([44 CFR §206.203](#)) The subgrantee must complete and submit the FEMA Alternate or Improved Project Request form to the Grantee for approval.

#### Suggested Audit Procedures

1. Review a sample of project worksheets for damaged or destroyed facilities.
2. Ascertain amount provided for improved projects.
3. Ascertain costs for new facilities.
4. Verify that the improved facilities are restored in accordance with the scope of work set forth in an improved project request that has been approved by the Governor's Authorized Representative (GAR) or Alternate GAR.

### **4. Alternate Projects**

#### Compliance Requirement

In any case where a subrecipient determines that the public welfare would not be best served by restoring a damaged public facility or the function of that facility, a request may be made through the State (Grantee) to the FEMA Regional Director for approval of an alternate project. Funds contributed for alternate projects may be used to repair or expand other selected public facilities, to construct new facilities, or to fund 406 hazard mitigation measures. These funds may not be used to pay the non-Federal share of any project, or any operating expense ([44 CFR §206.203](#)).

#### Suggested Audit Procedures

1. Review a sample of the alternate projects on which the claim was based and compare with the approved alternate projects.
2. Ascertain the costs incurred for the alternate projects to ensure that total costs of the projects equal or exceed the Federal, State and local share.

#### **5. “Mini-Brooks” Act**

##### Compliance Requirement

Subrecipients are required under North Carolina law to follow rules and regulations in the “[Mini-Brooks Act](#)”, [G.S. 143-64.31](#), for the procurement of professional services performed by architects, engineers, surveyors, and construction managers at risk.

##### Suggested Audit Procedures

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

#### **IV. OTHER INFORMATION**

**Purpose:** The purpose of this document is to provide a brief overview of the FEMA’s Public Assistance Program. For more in-depth information please refer to the latest version of the Public Assistance Program and Policy Guide.

##### **Schedule of Expenditures of Federal Awards (SEFA) / Schedule of Expenditures of Federal & State Awards (SEFSA):**

Nonfederal entities must record expenditures on the SEFA/SEFSA when (1) FEMA has approved the nonfederal entity’s PW, and (2) the nonfederal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the nonfederal entity’s SEFA in those subsequent years.

For example:

1. If FEMA approves the PW in the nonfederal entity’s fiscal year 2014 and eligible expenditures are incurred in the nonfederal entity’s fiscal year 2015, the nonfederal entity records the eligible expenditures in its fiscal year 2015 SEFA.
2. If the nonfederal entity incurs eligible expenditures in its fiscal year 2014 and FEMA approves the nonfederal entity’s PW in nonfederal entity’s fiscal year 2015, the nonfederal entity records the eligible expenditures in its fiscal year 2015 SEFA with a footnote that discloses the amount included on the SEFA that was incurred in a prior year.