LGC
Reviewed
in accordance to
G.S. 159-34(a)



**STATE ACQUISITION RELOCATION FUND (SARF)**

**State Project/Program: STATE ACQUISITION RELOCATION FUND (SARF)**

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

**State Authorization:** **N.C. Gen. Stat. 166A-19.3(17), N.C. Gen. Stat. §133-5 *et seq*, SL 2016-124, SL 2018-5, SL 2018-136, 2019 Appropriations Act, Current Operations Appropriations Act of 2018, H.B. DRH10434-MM-81. NCEMA Chapter 166A, 19.3(17) and 166A-19.41(c) and (d) for federally declared disasters.**

Additional information about the NCDPS/NCEM Hazard Mitigation program and standard operating procedures:

https://www.ncdps.gov/our-organization/emergency-management/hazard-mitigation

https://www.ncdps.gov/documents/standard-operating-procedures-hazard-mitigation.

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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.**

## I. PROGRAM OBJECTIVES

- **State Acquisition Relocation Funds (SARF)** SARF funds were appropriated from NC Session Law 2016-124 (DRA16) and NC Session Law 2018-5 (DRA 18) to provide gap payments up to $50,000 covering the difference between federal programs and the funds necessary to help a household relocate from their current damaged home to a similar housing unit outside of the special flood hazard area. In addition to the gap payment, the funds may also provide applicants with up to an additional $5,000 to be used for relocation and closing costs or other URA assistance as allowed in the URA--42 U.S.C. 4601 et. seq, 49 C.F.R. Part 24, 24 C.F.R. Part 42, 24 C.F.R. 570.606, or N.C. Gen. Stat. §133-5 et. Seq. through SARF.
- **State Acquisition Relocation Funds (SARF)** also provides management cost back to the county to support each acquisition. Each acquisition executed by the county provides the county an amount up to or equal to $5,500.

## II. PROGRAM PROCEDURES

Subgrantee Role

The subgrantee identified by the Hazard Mitigation Grant Program is considered the managing entity for the SARF program. Up to $5,500 per property is granted to the managing entity to administer the program.

Maximum Allocation

The maximum Gap Assistance allocation for a specific property is $50,000.

The maximum Homeowner Relocation Assistance allocation is $5,000, for moving expenses and if funds remain, can be used to offset closing costs for the new home. The homeowner is eligible to receive this allocation as cash out at closing to provide for moving and closing expenses. Given the different size and number of rooms in different houses being acquired, all homeowners will not need the same amount of moving expenses assistance with these funds. The actual maximum amount of assistance for each property must be calculated using the 2017 HUD "Fixed Residential Moving Cost" schedule for North Carolina:

| 1 room | 2 rooms | 3 rooms | 4 rooms | 5 rooms | 6 rooms | 7 rooms | 8 rooms | additional rooms |
|---|---|---|---|---|---|---|---|---|
| 550 | 750 | 1050 | 1200 | 1350 | 1600 | 1700 | 1900 | 150 |

Eligibility Requirements - Property being acquired must be:

- Owner-occupied primary residence at the time of the event
- Located in a regulated Special Flood Hazard Area (SFHA) (i.e., AE or VE zones)
- Approved for acquisition under HMGP DR-4285-NC or DR-4393-NC

Replacement property must:

- Meet HUD requirements for comparable decent, safe and sanitary dwellings, use HUD Form 52580: https://www.hud.gov/sites/dfiles/OCHCO/documents/52580A.PDF

- For more information about HUD requirements, go to: https://www.hudexchange.info/resource/2091/home-housing-quality-standards-hqs-inspection-form/

Decent, safe, and sanitary housing is housing that meets local housing and occupancy requirements. Additionally, it is housing that:

- Is structurally sound, weather tight, and in good repair.
- Contains a safe, adequate electrical wiring system.
- Has adequate living space for the occupants.
- Has a kitchen with a sink, hot and cold running water, and connections for a stove and refrigerator.
- Has a separate, complete bathroom with hot and cold running water and sewage system.
- Has heating as required by climatic conditions.
- Has an unobstructed exit to safe, open space at ground level.
- Is free of any barriers that would preclude your reasonable use of the unit if you are a person with a physical disability.

- Be located outside of regulated floodplain areas as shown on the current Flood Insurance Rate Map (FIRM) (i.e., 100yr floodplain).

    o If that is not possible, the local government must certify that no appropriate housing or housing sites are available outside of the floodplain. In the case of such certification, the replacement housing may be approved by NCEM if it is in the SFHA provided that the location is in an area regulated by a unit of local government pursuant to a current floodplain management ordinance and the construction fully complies with current National Flood Insurance Program (NFIP) standards and the adopted Local Flood Damage Prevention Ordinance.

· Qualify as “real property”. Modular units are acceptable if they are permanently affixed to real property. Manufactured homes will be considered real property for the purpose of this program so long as they are permanently affixed and classified as real property by the County. In accordance with NCGS 105-273, a manufactured home (single-wide and double-wide) is considered real estate if it “has the moving hitch, wheels, and axles removed; and is placed on the permanent foundation on land owned by the owner of the manufactured home.”

- Relocation must be within the originating County. Requirement can be waived with a letter of exception granted by the originating county allowing relocation in a contiguous county only.

Program Requirements

- For homes being acquired, priority will be given to floodway and V-zone properties as shown on the current FIRM.

- Assistance will be delivered by check at closing for the new property as documented on the HUD1 form. If the replacement home is located in a floodplain, the property owner will be required to maintain adequate flood insurance on the property for 5 years. This requirement must be included in the deed of trust recorded with the Registrar of Deeds.

- Assistance provided to permanently displaced persons must result in permanent decent, safe, and sanitary housing conditions.

Application Requirements

SARF Funds are provided from DRA16, if the homeowners application shows that they exceed the LMI requirement of $84,260. If the homeowner's application meets the LMI requirements for SARF, then funds will come from DRA 2018. DRA 2018 requires that funds may only be provided to those meeting Low to Moderate Income guidelines. In order to maximize the use of the DRA funds all participants that meet LMI guidelines will be assisted using DRA 18 funds, those that do not meet the guidelines will be assisted using DRA 16 funds. Income verification should be completed as soon as possible to assist in maintaining appropriate fund balances and to eliminate complications in program implementation. If a homeowner reports a household income on the application of greater than $84,260, no further documentation is required. If the homeowner reports an LMI income the subgrantee must collect appropriate documentation such as IRS 1040 from any year 2016 or later.

| Income Eligibility Requirements Table | | |
|---|---|---|
| Number of household family members or full-time occupants that exceed 18 years of age: | Annual Income Should Exceed* | Annual Income can be no greater than |
| Single occupant household | $25,745 | $84,260 |
| Two or more-person household. | $29,403 | $84,260 |

**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 State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee

| A | B | C | E | F | G | H | I | J | L | M | N |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment/ Real Property Management | Matching, Level of Effort, Earmarking | Period Of Performance | Procurement Suspension & Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions |
| Y | Y | Y | Y | N | N | Y | N | N | Y | N | Y |

1. Activities Allowed or Unallowed

Compliance Requirement

In order to qualify for SARF, the applicant must have an active Project Grant in DR-4285 (Hurricane Matthew), or DR-4393 (Hurricane Florence) programs, an applicant must have an adopted mitigation plan that addresses repetitive loss properties and has been approved by NCDPS/NCEM and FEMA for purposes of HMGP. In addition, the project must:

- Meet SARF requirements;
- Be cost-effective;
- Be technically feasible;
- Conform with the adopted Local Mitigation Plan;
- Conform with applicable Federal and State regulations; and
- Be physically located in an eligible community.

Suggested Audit Procedures

- Review SARF program requirements and cross-check against awarded projects.
- Project Grant Agreement, SARF MOA, the approved scope of work/acquisition(s) and applicable terms, conditions, requirements, and responsibilities of subrecipient.
- Test expenditures and related records for adherence to approved budget activity.

2. Allowable Costs/Cost Principles

Compliance Requirement

Costs for eligible activities in accordance with SARF must be reasonable, allowable, allocable, and necessary as required by DRA-16, or DRA-18 programs, applicable program regulations, and this guidance.

*For HMGP DR-4285 and DR-4393 program*

To receive SARF funding, an applicant must be approved for acquisition under the HMGP DR-4285 or DR-4393 (if opted out of the State Centric program).

Suggested Audit Procedures

- Review SARF requirements and cross-check against awarded projects.
- Review requests for reimbursement and/or cost reports submitted by subrecipient.
- Verify costs did not consist of improper payments, including (1) payments that should not have been made or that were made in incorrect amounts (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; (2) payments that do not account for credit for applicable discounts; (3) duplicate payments; (4) payments that were made to an ineligible party or for an ineligible good or service; and (5) payments for goods or services not received (except for such payments where authorized by law).
- Verify costs were not included as a cost of any other federally financed program in either the current or a prior period.

- Verify costs were not used to meet the cost-sharing or matching requirements of another federal program, except where authorized by federal statute.
- Test expenditures and related records for adherence to approved budget activity.

3. Cash Management

   Compliance Requirement

   Funds are submitted to all subrecipients on a reimbursement basis.

   Suggested Audit Procedures

   Review Cost Reports to ensure that all payment requests are made on a reimbursement basis.

4. Conflict of Interest

5. Eligibility

   Compliance Requirement

   In accordance with the SARF guidance, eligibility of SARF applies to applicants awarded in DR-4285 and DR-4393 projects only. Applicants may receive $55,000 additional per property if justified. This supplement is offered by the County to the homeowner at the time of closing on the HUD-1 Document.

   Suggested Audit Procedures

   Review SARF guidance, then cross-check against awarded projects.

6. Equipment and Real Property Management

7. Matching, Level of Effort, Earmarking

8. Period of Performance

   Compliance Requirement

   HMGP period of performance (POP) begins on the date the State's application is due to FEMA and ends 36 months after the application closes. However, the Period of Performance can be extended based on the State's request to the FEMA Regional Administrator and FEMA HQ. A grant agreement between NCPDS/NCEM and the sub-recipient establishes the State POP, either mirroring the Federal POP, or requiring a shorter timeframe based on programmatic decisions to complete ahead of schedule.

   Suggested Audit Procedures

   - Verify Federal POP in FEMA Award Letters
   - Verify State POP in SARF Agreements either mirrors or is less than the Federal POP.

- Verify that the funds were encumbered within the POP for each subrecipient.
- Verify existence of sufficient documentation from FEMA and/or NCDPS/NCEM authorizing any period of performance extensions claimed by subrecipient. If a subrecipient has received multiple HMGP awards across different or consecutive years, the award letter and MOA/grant agreement for each HMGP award should be separately reviewed to determine the specific POP for each award.

9. Procurement and Suspension and Debarment

10. Program Income

11. Reserve

12. Reporting

<u>Compliance Requirement</u>

Failure to submit required reports and reimbursement requests to NCDPS/NCEM in a timely manner may result in an inability to access grant funds until proper reports and requests are received.

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

- Reporting period, date of report, and subrecipient POC name and contact information.
- Project identification information.
- Significant activities and developments that have occurred or have shown progress during the quarter.
- Percent completion and whether completion of work is on schedule, a discussion of any problems, delays, or adverse conditions.
- Status of costs, including whether the costs are (1) unchanged, (2) overrun, or (3) underrun, and narrative to address change in cost status.
- Incremental funding amounts (SFM) and progress completed.
- For acquisition projects, the status of each property for which settlement was completed in that quarter.
- Additional information, as required by FEMA to assess the progress of an award.

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

<u>Suggested Audit Procedures</u>

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

approved scope of work/project(s) specified in the HMGP application, award letter and MOA/grant agreement.

13. Subrecipient Monitoring

14. Special Tests and Provisions

Compliance Requirement

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

Suggested Audit Procedures

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

## IV. OTHER INFORMATION

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

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