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**FEDERAL EMERGENCY MANAGEMENT AGENCY****CFDA 83.543 INDIVIDUAL AND FAMILY GRANTS****I. PROGRAM OBJECTIVE**

The Individual and Family Grants (IFG) program is a cost-shared program authorized by Section 411 of the Robert T. Stafford Disaster Relief and Emergency Act (Stafford Act), Pub. L. No. 93-288, as amended. Its purpose is to provide funds for the necessary expenses and serious needs of disaster victims, which cannot be met through other forms of disaster assistance or through other means such as insurance.

**II. PROGRAM PROCEDURES**

The Governor may request that a Federal grant be made to a State for the purpose of such State making grants to individuals or families who, as a result of a major disaster, are unable to meet disaster-related necessary expenses or serious needs. The total Federal grant is made only on condition that 25 percent of the actual cost of meeting individuals' or families' necessary expenses or serious needs is paid from funds made available by the State (44 CFR section 206.131). Free Associated States (FAS) have exceptions to the 75/25 percent cost share. These FAS are governed by the Compact of Free Associations with the US, "Federal Programs and Services Agreement with the Republic of the Marshall Islands and the Federated States of Micronesia," territories of the US (such as Guam and American Samoa), along with Commonwealth of the Northern Marianas Islands, operating under the "Covenant to Establish CNMI as a Political Union with the US."

The State administers the IFG program based on a State Administrative Plan that must be approved by the Federal Emergency Management Administration (FEMA) each January and at the beginning of the recovery process before Federal funds are awarded to the State. FEMA provides States administrative expenses in an amount equal to up to five percent of the Federal share of the program.

**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**

Activities allowed are grants to individuals or families who, as a result of a major disaster, are unable to meet disaster-related necessary expenses or serious needs and State administrative expenses (44 CFR section 206.131(a)).

**E. Eligibility****1. Eligibility for Individuals**

With respect to any one major disaster, an individual or family may not receive a grant or grants under IFG totaling more than the statutorily determined maximum amount. This amount is \$13,900 for October 1, 1999 through September 30, 2000 and \$14,400 for October 1, 2000 through September 30, 2001. The amount is adjusted annually to reflect changes in the Consumer Price Index. FEMA notifies the States each year of the adjusted amount.

The State determines eligibility in accordance with the IFG State Administrative Plan, as approved by FEMA in accordance with 44 CFR section 206.131. FEMA performs damage verifications for the State on IFG applicants who are not required to apply for a Small Business Administration (SBA) loan, and on those applicants referred by SBA to IFG as a result of that agency's loan application process. FEMA conducts verifications (for States) in the categories of real and personal property, including verification of home ownership and primary residency, personal property, and transportation (vehicles) for those applicants who also have real and/or personal property losses. FEMA contract inspectors collect information for the State IFG program because they are at the damaged residence to perform verification on real and personal property losses. FEMA does not perform verification for applicants that only have a vehicle loss; the State performs verifications for those applicants. Certain damage or loss verifications are performed by the State, such as on late applications or reinspections, medical, dental, funeral, and other categories.

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

**G. Matching, Level of Effort, Earmarking****1. Matching**

Costs for payments to individuals and families are shared on a 75 percent Federal and 25 percent State basis. The State must provide the matching for IFG at the time of expenditure of Federal funds (e.g., when each IFG dollar is paid, the State provides 25 cents and the Federal funds provide 75 cents) (44 CFR section 206.131(a)). The Governor may, however, request a loan of the State's 25 percent share (44 CFR 206.45(a)).

- 2. Level of Effort - Not Applicable**

**3. Earmarking**

Reimbursable State administrative expenses shall not exceed five percent of the Federal grant (44 CFR section 206.131(a)).

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

**2. Performance Reporting** - Not Applicable**3. Special Reporting** - Not Applicable

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**FEDERAL EMERGENCY MANAGEMENT AGENCY****CFDA 83.544 PUBLIC ASSISTANCE GRANTS****I. PROGRAM OBJECTIVE**

The objective is to provide assistance to States, local governments, and selected non-profit organizations under the Public Assistance Grants Program.

**II. PROGRAM PROCEDURES**

Following a Presidential declaration of a major disaster or an emergency, the Federal Emergency Management Agency (FEMA) awards grants for public assistance to States. The State may use the funds to restore its own disaster-damaged projects and to provide subgrants to local governments and selected private non-profit facilities.

The Public Assistance program is administered by the State (e.g., the State Emergency Agency) in accordance with a FEMA-State Agreement to provide assistance which may be available under an emergency or major disaster declaration. The State acts as the grant administrator for all funds provided under the Public Assistance Grants 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 206.253).

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

*State* - The State Agency which 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 State-wide single audit.)

*RD* - The FEMA Regional Director.

Public Assistance 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 any subgrantee. The PW documents the project formulation team's determination of the eligible scope of work and cost estimate. The Public Assistance 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.

Project funding made for large and small projects is based upon the cost of the eligible work for the individual project. Projects which equal or exceed the threshold of \$50,600 for October 1,

2000, through September 30, 2001 (\$48,900 for October 1, 1999 through September 30, 2000), are large projects. Projects below this threshold are small projects. This threshold is adjusted by FEMA each October to reflect changes in the Consumer Price Index. The thresholds are published in the *Federal Register*. The date the disaster is declared on a disaster declaration determines the threshold in use.

### *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 and verify the scope of the work is eligible and the cost estimate reasonable. If the sample passes this validation, FEMA accepts the PWs from the applicants and obligates the funds. If the sample fails, a second 20 percent is reviewed. If the second sample fails, FEMA then assigns a specialist to assist the applicant in reformulating and resubmitting all small projects to FEMA. A FEMA representative is assigned to formulate an applicant's small project, 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 the work was not done, there is an unexpected insurance recovery, or there is an obvious error in calculation. At close-out of the disaster contract, the State is required to certify that all projects were properly completed and that the State contribution, as specified in the FEMA-State Agreement, was paid to each subgrantee. 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, FEMA generally 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, a request 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 the A-102 Common Rule's 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 RD (44 CFR sections 206.204(e) and 206.205).

### *Improved Projects*

If a subrecipient 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. Funds approved as an improved project can only be used as a contribution for the construction of larger or improved facilities that restore at least 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 which costs \$200,000, then the FEMA share is only based on the \$100,000. However, if the actual costs 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. Federal funding for such alternate projects is based on 90 percent of the approved estimate of eligible costs (44 CFR section 206.203(d)(2)). For example, if the approved estimate of eligible costs to restore the pre-disaster capacity is \$100,000, and the entity chooses not to rebuild but instead to do alternate work, then assuming a 75 percent match, the Federal share is computed as:

Approved estimate of eligible costs	\$100,000
Assumed match of 75% Federal/25% State	X 75%
Subtotal	\$ 75,000
Adjustment for alternate project	X 90%
Federal share	\$ 67,500

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 neither be used to pay the non-Federal share of any project nor 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).

## **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 Public Assistance program are for the approved project as described on the PW and supporting documentation.

**B. Allowable Costs/Cost Principles**

1. *Equipment Rental* - The Public Assistance 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 which exceeds the FEMA Schedule (44 CFR section 206.228).
2. *Administrative Costs* - All administrative costs of Public Assistance programs at the subgrantee level are covered by a specific percentage in the Stafford Act (42 USC 5121 *et seq.*). No costs of administering the program other than that percentage should be charged by a subgrantee. For States, administrative costs are allowed for extraordinary costs incurred by the State for preparation of PWs, final inspection reports, project applications, financial audits, and related field inspections by State employees, including overtime pay and per diem and travel expenses. However, regular time for such employees is not covered by the percentage allowance under the Stafford Act. States are permitted to recover the straight time salaries and certain other direct management costs when prescribed on a PWs (44 CFR section 206.228).
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 which must be considered in determining allowable costs because allowable costs must be net of applicable credits.

**G. Matching, Level of Effort, Earmarking****1. Matching**

Costs must be on a shared basis, as specified in the FEMA-State agreement (Pub. L. No. 93-288 as amended by the Stafford Act, 42 USC 5121 *et seq.*; 44 CFR 206.203(b)). In general, the minimum Federal share is 75 percent of eligible costs. The matching split between the State and the subgrantee will vary. The accountability for meeting the matching requirement is determined at the time of project accounting as part of project closeout, (e.g., the State match does not have to be provided until the end of the project).

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

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* - 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* - Applicable
- e. FEMA 20-10 *Financial Status Report (OMB No. 3067-0206)* - This form is used in lieu of the SF-269.
- f. *Public Assistance Program (OMB No. 3067-0151)* - The State is required to submit quarterly financial and progress reports to the RD. The reports should describe the status of those projects on which a final payment of the Federal share has not been made to the State and outline any problems or circumstances expected to result in noncompliance with the approved grant conditions (44 CFR section 206.204(f)). Subgrantee reporting is as required by the State. There is no standard FEMA form; grantees are required to report on all large projects.

*Key Line Items* - The following line items contain critical information.

All line items containing financial information.

2. **Performance Reporting** - Not Applicable

3. **Special Reporting** - Not Applicable

**N. Special Tests and Provisions**

**1. 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 A-102 Common Rule's 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*

- a. 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*

- b. 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.