

## **2025 Community Development Block Grant Disaster Recovery Program**

### **FEMA Non-Federal Match Program**

**Version 1.0**

**January 2026**

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## Version History

Version	Date	Summary Description
1.0	January 2026	Original

## Introduction

In 2025 the Arkansas Development Finance Authority (ADFA) received a Community Development Block Grant–Disaster Recovery (CDBG-DR) allocation from the U.S. Department of Housing and Urban Development’s (HUD) to recovery from the 2023 severe storms and tornadoes (DR-4698) and 2024 severe storms, straight-line winds, tornadoes, and flooding (DR-4788).

The purpose of this policy manual is to provide the overall objectives and process by which the Arkansas Development Finance Authority (ADFA) will award CDBG-DR funds for the FEMA Non-Federal Match Program.

## Program Description

### Purpose

The FEMA Non-Federal Match Program is designed to assist local jurisdictions with infrastructure-related recovery efforts following the disaster events. Recognizing that FEMA requires state and local governments to contribute a portion of project costs known as the local share or match this program aims to ease the financial strain on communities already burdened by emergency response costs and reduced revenues.

Administered by ADFA, the program helps cover the non-federal cost share for eligible projects under FEMA’s Public Assistance (PA) program and Hazard Mitigation Grant Program (HMGP).

ADFA will only provide the non-federal match to projects that have already been completed. ADFA will prioritize projects that primarily provide service to residential areas and benefits LMI households.

All entities that are eligible for FEMA PA and HMGP may be eligible for the FEMA Non-Federal Match program. These entities include, but are not limited to local governments, state agencies and authorities, public K-12 schools, universities, and other local program applicants eligible to receive federal recovery funds, including private non-profit organizations.

## Administration

The Arkansas Division of Emergency Management (ADEM) will serve as a partner to ADFA and will be responsible in assisting ADFA manage the program. ADEM’s duties will include providing a list of FEMA eligible projects to ADFA and determining the eligible costs for

matching funds. ADFA will have a grant agreement with the local jurisdiction receiving FEMA PA or HMGP funding and provide the non-federal FEMA match.

## Available Funds

\$6,095,600 in CDBG-DR funds will be available for the FEMA Non-Federal Match Program. The program will provide matching funds to cover the portion of project costs not financed by FEMA's PA or HMGP program, up to 25% of the total project cost as determined by FEMA.

ADFA will only provide the non-federal match to projects completed by FEMA prior to December 22, 2025.

## Eligible Disasters

CDBG-DR funds can only be used as FEMA Non-Federal Match for the 2023 severe storms and tornadoes with a FEMA major disaster declaration number of DR-4698 and the 2024 severe storms, straight-line winds, tornadoes, and flooding with a FEMA major disaster declaration number of DR-4788.

## Eligible Activities

All activities must be CDBG-DR eligible and approved under a FEMA program. HCDA Section 105(a)1, 2, 4, 9 and 12 are the applicable eligible activities for the program and will include applicable waivers identified in the Allocation Announcement Notice (90 FR 4759) and Universal Notice (90 FR 1754).

### Housing and Community Development Act of 1974 (HCDA) Eligible Activities for Match Program

Section 105(a)(1)	Acquisition of real property (including air rights, water rights, and other interests therein) which is  A. blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth;  B. appropriate for rehabilitation or conservation activities;  C. appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces,
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	<p>natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development;</p> <p>D. to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or</p> <p>E. to be used for other public purposes</p>
Section 105(a)(2)	Acquisition, construction, reconstruction, or installation (including design features and improvements with respect to such construction, reconstruction, or installation that promote energy efficiency) of public works, facilities (except for buildings for the general conduct of government), and site or other improvements.
Section 105(a)(4)	Clearance, demolition, removal, reconstruction, and rehabilitation (including rehabilitation which promotes energy efficiency) of buildings and improvements (including interim assistance, and financing public or private acquisition for reconstruction or rehabilitation, and reconstruction or rehabilitation, of privately owned properties, and including the renovation of closed school buildings).
Section 105(a)(9)	Payment of the non-Federal share required in connection with a federal grant-in-aid program undertaken as part of activities assisted under this title.
Section 105(a)(12)	<p>Activities necessary</p> <ol style="list-style-type: none"> <li>1. to develop a comprehensive community development plan, and</li> <li>2. to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively             <ol style="list-style-type: none"> <li>i. determine its needs,</li> <li>ii. set long-term goals and short-term objectives,</li> <li>iii. devise programs and activities to meet these goals and objectives,</li> <li>iv. evaluate the progress of such programs in accomplishing these goals and objectives, and</li> <li>v. carry out management, coordination</li> </ol> </li> </ol>

Waiver in Universal Notice (90 FR 1754) III.D.6.b.	The prohibition on assisting buildings for the general conduct of government at 42 U.S.C. 5305(a)(2) and associated regulations at 24 CFR 570.207(a) are waived for non-Federal match. This waiver allows grantees to use CDBG-DR funds as the non-Federal match on any other Federal program providing funds for the construction, reconstruction, and rehabilitation of public improvements or facilities for the general conduct of government. This waiver is subject to the following alternative requirements: grantees are prohibited from using CDBG-DR funds for buildings that do not provide services all year around and for buildings that are used exclusively as emergency operations centers.
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## Ineligible Activities

As per [24 CFR 570.207](#), ADFA will not fund the following activities through the FEMA Non-Federal Cost Share program:

- **General government expenses:** Expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance.
- **Political activities:** CDBG funds cannot fund the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as candidate forums, voter transportation, or voter registration.
- **Purchase of equipment:** The purchase of equipment with CDBG funds is generally ineligible.
  - **Construction equipment:** The purchase of construction equipment is ineligible, but compensation for the use of such equipment through leasing or depreciation is eligible. The purchase of construction equipment for use as part of a solid waste disposal facility is eligible.
  - **Furnishings and personal property.** The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible.
  - **Fire protection equipment:** Fire protection equipment is considered to be an integral part of a public facility and thus, purchase of such equipment would be eligible.

- **Operating and maintenance:** Any expense associated with repairing, operating or maintaining public facilities, improvements and services is ineligible. Specific exceptions to this general rule are operating and maintenance expenses associated with public service activities, interim assistance, and office space for program staff employed in carrying out the CDBG program.
  - Examples of ineligible operating and maintenance expenses are:
    - Maintenance and repair of publicly owned streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for persons with a disabilities, parking and other public facilities and improvements.
    - Payment of salaries for staff, utility costs and similar expenses necessary for the operation of public works and facilities.

## National Objectives

**For FEMA PA:** Low- to moderate-income area benefit (LMA) and Urgent Need (UN) national objectives. The Urgent Need national objective will only be used when an LMI national objective cannot be achieved through the project, but the project has demonstrable recovery or mitigation of public infrastructure benefits within the HUD- or grantee-identified MID.

**For HMGP Buyout:** Low-to moderate income limited clientele (LMC) or Low- to moderate-income area benefit (LMA). To qualify for the LMC national objective, the HMGP buyout program will be limited to LMI persons and acquiring their property for more than fair market value. Urgent Need (UN) national objective.

## Eligible Applicants

All entities that are eligible for FEMA PA and FEMA HMGP may be eligible for the FEMA Non-Federal Match Program. These entities include, but are not limited to:

- Local governments
- State agencies and authorities
- Public schools (K-12)
- Universities

Other local program applicants eligible to receive federal recovery funds, including eligible private nonprofit organizations.

## Eligible Areas

Eligible activities will be restricted to projects located within the HUD-designated MID of Benton, Cross, and Pulaski Counties (excluding the City of Little Rock because the City received its own CDBG-DR allocation).

## Eligible Programs

The program will provide matching funds to cover the portion of project costs not financed by FEMA's PA or HMGP program, up to 25% of the total project cost as determined by FEMA.

### FEMA PA

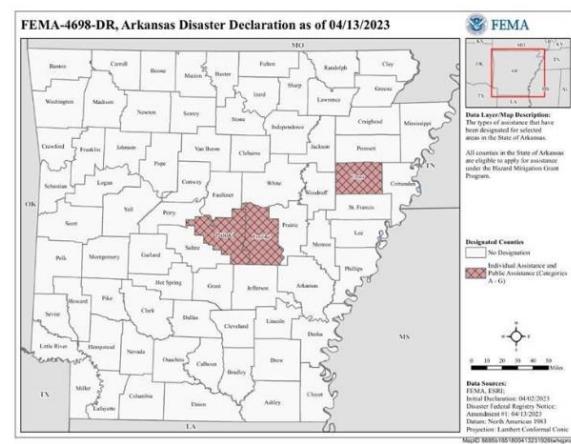
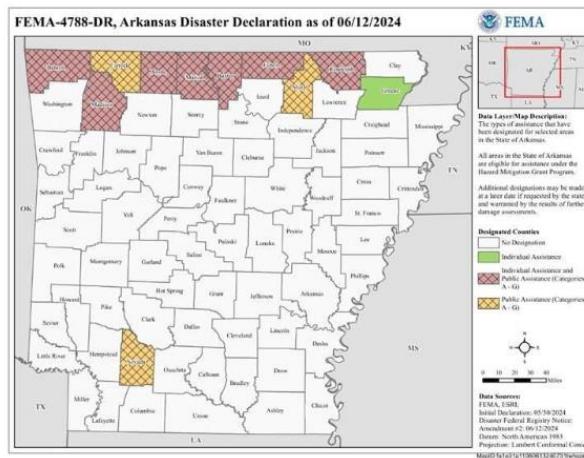
FEMA's Public Assistance Program (PA) provides grants to State, tribal, territorial, and local governments, and certain types of private nonprofits so that communities can respond to and recover from major disasters quickly. Section 406 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act also allows FEMA to fund the hardening of these damaged facilities against future events by providing assistance for hazard mitigation measures during the recovery process, known as Section 406 Mitigation. In Arkansas, ADEM manages the FEMA PA program. Together with FEMA, ADEM evaluates eligibility for FEMA PA. Through the PA Program, FEMA provides grant funding for:

- Emergency protective measures and debris removal (Emergency Work); and
- Permanent restoration of damaged facilities, including cost-effective hazard mitigation to protect the facilities from future damage (Permanent Work).

To facilitate the processing of PA funding, FEMA separates Emergency Work into two categories (A and B) and Permanent Work into five categories (C – G) based on general types of facilities. Category A is eligible under Section 407 for removing debris or wreckage from publicly or privately-owned lands and waters. Category B is eligible under Section 403(a)(3) to address immediate threats to life and property resulting from a major disaster. Categories C – G are eligible under Section 406(a)(1)(A) for the repair, restoration, reconstruction, or replacement of a public facility damaged or destroyed by a major disaster. These categories are shown below and aligned with HUD eligible activities.

FEMA Category	PA Scope	HUD Eligible Activity	Funded?
Category A	Debris Removal	Section 105(a)(4)	Yes

Category B	Emergency Protective Measures	Section 105(a)(9)	Yes
Category C	Roads/ Bridges	Section 105(a)(2)	Yes
Category D	Water control facilities	Section 105(a)(2)	Yes
Category E	Building/equipment	Waiver in Universal Notice (90 FR 1754) III.D.6.b.	Yes, government buildings, no to equipment unless integral to project
Category F	Utilities	Section 105(a)(2)	Yes
Category G	Parks, recreational, and other facilities	Section 105(a)(2)	Yes



A project worksheet (PW) is a compilation of forms used by the FEMA PA Applicant and FEMA to develop projects<sup>1</sup>. The PW package is usually compiled in a set order to ensure uniformity and facilitate efficient review and processing. Some of the forms included are listed below:

- **Project Worksheet Cover:** the primary form used to identify the location, damage description and dimensions, scope of work, and cost estimate for each project.
- **Damage Description and Scope of Work Continuation Sheet:** used to expand on damage quantities and description, scope of work, and cost extensions.

<sup>1</sup> FEMA Disaster Assistance Fact Sheet – [Elements of a Project Worksheet](#)

- **Cost Estimating Continuation Sheet:** used to calculate damage costs for large permanent work projects.
- **Special Considerations Questions<sup>2</sup>:** form asks questions about insurance, floodplain, repair/reconstruction, and environmental concerns as it pertains to a facility
- **Time / Equipment records<sup>3</sup>:**
  - Force Account Labor Summary Record ([FEMA Form 90-123](#))
  - Force Account Equipment Summary Record ([FEMA Form 90-127](#))
  - Material Summary Record ([FEMA Form 90-124](#))
  - Rented Equipment Summary Record ([FEMA Form 90-125](#))
  - Contract Work Summary Record ([FEMA Form 90-126](#))
  - Fringe Benefit Rate Sheet ([FEMA Form 90-128](#))
- Cost Estimating Format - Large Project Report<sup>4</sup>
- Cost Estimating Format [Spreadsheet](#)

ADFA will review each project worksheet to determine at a minimum the national objective, HUD eligible activity, potential cost(s) that can be funded by CDBG-DR, and the non-federal share amount.

## FEMA HMGP

Hazard mitigation is defined as any sustained action taken to reduce or eliminate long-term risk to people and property from natural hazards and their effects. FEMA's Section 404 funding can be used to fund structural and non-structural projects, and a facility does not need to be damaged to use these funds. The funding can be combined with 406 PA funding where appropriate. Section 406 hazard mitigation funding is used to provide protection to the parts of a facility that were damaged and Section 404 hazard mitigation funding is used to provide protection to the undamaged parts of the facility.

Arkansas is eligible for Hazard Mitigation Grant Program (HMGP) funds under Section 404 of the Stafford Act, as amended. The Arkansas ADEM, the applicant for these funds, is

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<sup>2</sup> [Special Consideration Questions – FEMA Form 90-120](#)

<sup>3</sup> FEMA Public Assistance – [Project Formulation SOP](#)

<sup>4</sup> [Cost Estimating Format \(CEF\) For Large Projects Standard Operating Procedure \(SOP\)](#)

inviting applications from eligible sub-applicants, State agencies, local governments, special districts, and federally recognized tribes.

## Match Requirements

The Non-Federal Cost Share Match Program is guided by the [Stafford Disaster Relief and Emergency Assistance Act, USC 5121](#), the Code of Federal Regulations Title 44 Parts [13.36](#), [13.37](#) and [13.40](#), and the [FEMA Disaster Assistance Guidance 9500 Series](#).

From Section 408(g)(2) of the Stafford Act, Cost Sharing, the language states that the Federal share of the costs eligible to be paid using assistance provided (e.g., FEMA) will be 75 percent and the non-Federal share shall be paid from funds made available by the State.

The updated Universal Notice (90 FR 1754) also states that grant funds may be used to satisfy a match requirement, share, or contribution for any other Federal program when used to carry out an eligible CDBG-DR activity. This includes programs or activities administered by the FEMA.

For all match activities, grantees must document that CDBG-DR funds have been used for the actual costs incurred for the assisted project and for costs that are eligible, meet a national objective, and meet other applicable CDBG requirements.

## Application Process

Eligible entities will apply to ADEM through an application process for funding. The portion of funds applied as match for any project must meet CDBG-DR eligibility requirements in addition to the requirements of the federal and state agency administering the project.

Entities will then apply to ADFA for up to the 25% non-federal share match requirement for FEMA PA and HMGP. Applications for FEMA Match funding will be open cycled, reviewed, and approved as submitted to ADFA.

**Step 1: Identification of FEMA projects** – ADEM will provide a list to ADFA of active PA and HMGP projects. ADFA will review the projects for eligibility.

**Step 2: Application** – ADFA will notify potential subrecipients to apply for CDBG-DR Match Funding

**Step 3: Application Review** – ADFA will review applications based on threshold criteria with LMI communities receiving priority as well as compliance documentation.

**Step 4: Award** – ADFA makes awards to subrecipients

**Step 5: Draw** – ADFA makes payment to subrecipient.

**Step 6: Close-out** – ADFA works with ADEM and the Subrecipient to close out contracts.

## Public Hearing Requirement

Applicants are required to solicit public feedback on the projects for which they are applying for funding by holding a public hearing. The notice of the public hearing should be published or posted for review no less than 7 days prior to the hearing. If awarded, applicants will be required to host an additional public hearing before closing out the project.

Public hearings can be held in conjunction with other public meetings. The meeting notice should be posted in a newspaper of general circulation. The public hearing must include discussion of the following:

- The amount of CDBG-DR funds requested;
- The range of activities that may be undertaken with the CDBG-DR funds;
- The estimated amount of the CDBG-DR funds proposed to be used for activities that will meet the national objective of benefit to low and moderate income persons; and
- The proposed CDBG-DR activities likely to result in displacement and the unit of general local government's anti-displacement and relocation plans required under § 570.488.

Applicants will be required to provide proof the public hearing was held including:

- A copy of the public hearing notice.
- Meeting minutes, including comments and responses

## Application

Applicants will apply for the program by completing the application package which will be emailed to eligible applicants.

Throughout the entire application cycle, technical assistance also is available by sending inquiries to [ADFA.CDBGDR@arkansas.gov](mailto:ADFA.CDBGDR@arkansas.gov) ADFA will respond to all inquiries in a timely manner.

Applicants have until the deadline to submit all required application materials. Only completed applications, including all required supporting documentation, will be considered for funding.

Applicants will be given a list of supporting documents that will be required to be submitted with the application.

## Application Priorities

Eligible applicants must submit a funding request to the ADEM through a formal application process. CDBG-DR funding preference will be given to communities with low- to moderate-income (LMI) populations. Any portion of funds used as a match must comply with both CDBG-DR eligibility criteria and the specific requirements set by the relevant federal and state agencies overseeing the project.

During the review of projects, ADFA will assess projects on the following criteria:

- National Objective: use of the LMI benefit national objective criteria.
- HUD MID: determine if the project location is within the HUD MID areas.
- HUD Requirements: determine if the costs can be made HUD eligible.
- Funding Threshold: determine if the match amount is worth pursuing.
- Funding Leverage: other available funding options for local match.
- Benefit: document the needs stated by the impacted community.
- Quality Control: assess the quality of documentation to justify the local match.
- Commitment: determine if the final Project Worksheet (PW) amount and project cost is settled.

## Eligibility Criteria

Each application must address the following eligibility criteria. More information about eligibility criteria and additional documentation needed as part of the application is included within the application guidance materials.

### Disaster Tieback or Mitigation

The FEMA Non-Federal Cost Share program will fund projects with a tie-back to disaster or projects that mitigate needs associated with the disaster as identified in the Action Plan.

The FEMA PA program requires clear documentation showing a direct disaster related impact as a prerequisite for entry into the program. Using FEMA project worksheets, ADFA assumes that if the eligible applicant received funding and support through the FEMA Public Assistance program, then the project has a tie to the declared disaster.

The FEMA HMGP program funds projects that reduces, or mitigates, future disaster losses in communities. ADFA assumes that if the eligible applicant received funding and support through the FEMA HMGP program, then the project serves a mitigation benefit.

## **Mitigation Design**

All infrastructure will be verified that it was designed to increase resilience to disasters or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters.

FEMA encourages the restoration of disaster-damaged, publicly owned facilities and the protection of these damaged facilities from future incidents. ADFA will support this effort with program funds that may be used to rehabilitate damaged systems and/or build new systems that will help protect life and property and reduce suffering and hardship by lessening the impact of future disasters.

## **Long-Term Maintenance**

Subrecipients are expected to be able to maintain all infrastructure projects as well as green space created as a result of the FEMA funded project. ADFA will need to review a capital improvement plan and an operations and maintenance plan that has been adopted by the municipal board by resolution to demonstrate a commitment to long term sustainment and investment. The development of these deliverables shall be included in engineering scopes of work for contracts that are funded with CDBG-DR funds. ADFA and ADEM will work with subrecipients to review operation and maintenance plans.

## **Long-term sustainability**

All newly constructed infrastructure that is assisted with CDBG-DR funds must be designed and constructed to withstand extreme weather events. To satisfy this requirement, ADFA must identify and implement resilience performance metrics that will protect the public from any risks identified in the action plan. ADFA will review non-federal match projects to determine which metrics are suitable for reporting to HUD through the DRGR system.

## **Clarifications**

During the application review process, applicants are required to respond in a timely manner to any ADFA requests for information/materials to complete the evaluation process. Any request for additional information will include a definitive due date for return of the requested information. If the applicant needs an extension, clarification, or assistance, the applicant may make its request within the allotted response timeframe. If an applicant fails to provide the requested information/materials or fails to ask for an extension or assistance, the application will be scored accordingly and there will be no additional opportunity to submit the requested materials.

## Award

The CDBG-DR award will be based on the applicant's requested amount for a percentage (at least 25%) of the cumulative cost FEMA PA or HMGP projects. ADEM will conduct any DOB calculations prior to determining the final acquisition amount.

Once award amounts are determined for local governments and entities, ADFA will notify successful applicants which is a preliminary offer to enter into a grant agreement. Execution of a grant is contingent on both parties' agreement of the terms and conditions.

## Project Delivery

CDBG-DR will provide up to 1% per award for project delivery, which are fees incurred by the applicant to administer the project or to hire a grant administrator. Project Delivery must be substantiated by documentation of costs incurred and cannot be duplicated by another federal funding source.

## Grant Agreement

After completing the application process, applicants must sign and execute the ADFA Grant Agreement before any grant funds are released. At a minimum, the agreement will include the following provisions (in accordance with 24 CFR 570.503(b)):

- Statement of Work, detailing the activities to be completed
- Milestones with Timelines
- Budget
- Record and Reports Requirements
- Program Income Guidance
- Suspension and Termination Rules
- Recapture of Funds Guidance
- Uniform Administrative Requirements to comply with federal and financial standards

Should any legitimate program additions or deletions be required, ADFA modify the terms of the subrecipient grant agreement.

## Exception Policy

ADFA will consider exceptions to the program guidelines on a case-by-case basis. All exceptions must be submitted in writing with the application and include a justification.

Exceptions should enhance the benefit to LMI households or areas. Exceptions cannot violate federal, state, or local laws or regulations. Exceptions must still meet HUD's requirements for necessary and reasonable, comply with federal accessibility standards, and accommodate a person with disabilities if applicable. A written response will be authorized in writing to the applicant upon approval or denial of the application requesting an exception.

## Appeals

All appeal requests related to program activities are processed and reviewed by ADFA staff. Each appeal will be reviewed against program policies and requirements. Staff will make a recommendation to the ADFA Board of Directors which will approve the final selection.

Appeal requests to ADFA must be postmarked within 10 calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to: Arkansas Development Authority, Attention: CDBG-DR, 1 Commerce Way, Suite 602, Little Rock, AR 72202.

The applicant's written request should contain the following information:

- Applicant's name
- Applicant's mailing address
- Applicant's telephone number
- Email address (if available)
- The reason(s) the decision or action is being appealed
- Documentation that supports the request to overturn the decision

The applicant shall be notified of the final determination in writing.

## Timely Expenditures

The period of performance will commence upon execution of a grant agreement between ADFA and the subrecipient. ADFA will only be providing the non-federal match to project that have already been completed. Therefore, the period of performance will be 6 months in order to allow time for all project paperwork to be processed and funds to be drawn.

## Flood Control Structures

The Universal Notice (90 FR 1754) in Section III.D.6.d. details requirements for Flood control structures (i.e., dams and levees). CDBG-DR can't be used to enlarge a dam or levee beyond the original footprint of the structure that existed before the disaster event, without obtaining pre-approval from HUD and any Federal agencies that HUD determines are necessary based on their involvement or potential involvement with the levee or dam.

Grantees that use CDBG-DR funds for levees and dams are required to: (1) register and maintain entries regarding such structures with the USACE National Levee Database or National Inventory of Dams; (2) ensure that the structure is admitted in the USACE's PL 84-99 Rehabilitation Program (Levee Rehabilitation and Inspection Program); (3) ensure the structure is accredited under the FEMA National Flood Insurance Program (NFIP); (4) enter the exact location of the structure and the area served and protected by the structure into the DRGR system; and (5) maintain file documentation demonstrating that the grantee has conducted a risk assessment before funding the flood control structure and documentation that the investment includes risk reduction measures.

## Implementation

### Environmental Review

The Universal Notice (90 FR 1754) in Section III.B.10.c. allows recipients of CDBG-DR funds to adopt another Federal agency's environmental review. The notice states that "recipients of CDBG-DR funds that supplement other Federal assistance may adopt, without review or public comment, any environmental review, approval, or permit performed by a Federal agency, so long as the actions covered by the existing environmental review, approval, or permit and the actions proposed for the CDBG-DR supplemental funds are substantially the same. Such adoption shall satisfy the responsibilities of the recipient with respect to such environmental review, approval, or permit. Projects originally funded by another agency that are later supplemented with CDBG-DR do not have to supplement the other agency's environmental review with any HUD environmental requirements that differ from the originating agency. If the activity is modified so the other agency's environmental review no longer covers the activity, the grantee is required to reevaluate and supplement the other agency's environmental review to comply with all applicable HUD environmental regulations in 24 CFR part 58." ADFA will require the subrecipient to submit before ADFA will approve the release of funds:

1. An electronic or paper copy of the Federal agency's review. The review must become part of the subrecipient's environmental review record.
2. A memo stating that the scope of work completed by the Federal agency's review is substantially the same as the CDBG-DR match project.
3. Submit a RROF (HUD-Form 7015.15) that another agency review is being used, including the name of the other Federal agency, the name of the project, and the date of the project's review as prepared by the other Federal agency.

## Procurement Requirements

HUD allows grantees like ADFA to adopt the procurement policies and procedures that satisfy the other Federal agency's requirements to promote consistency and seamlessly leverage their funding. ADFA will use FEMA's procurement policies and procedures. ADFA will add to each subrecipients file that adopt FEMA procurement requirements for activities that will be used to satisfy the non-Federal match.

Additionally, when CDBG-DR funds are used as the non-Federal match in another Federal program, subrecipients are not required to incorporate liquidated damages into each procured contract.

## Financial Management

The subrecipient is responsible for administering the program grant award and requires a sound financial management system. The key principles of financial management are common to all types of organizations and include sound financial management systems, internal controls, allowability of costs, use and tracking of program income, and audits.

The CDBG regulations, which also are applicable to CDBG-DR funding, require subrecipients who are governmental entities or public agencies to adhere to certain administrative and financial management requirements. In addition to the CDBG regulations at 24 CFR 570.489, which contain the basic program administrative requirements, the Federal Register Notice contains the specific waivers and alternative requirements for the use of the disaster recovery funds. Additionally, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which was adopted by HUD at 2 CFR 2400 and clarified applicability at 24 CFR 570.502, also applies.

## Internal Controls

Internal controls refer to the combination of policies, procedures, defined job responsibilities, personnel, and records that allow an organization (or an agency) to maintain adequate oversight and control of its cash, property, and other assets.

The soundness of any subrecipient's financial management structure is determined by its system of internal controls. Specifically, internal controls refer to the following:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

With a sound internal control system, a subrecipient can ensure that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.
- Resources are protected against waste, mismanagement, or loss.
- Information on the source, amount, and use of funds is reliable, secured, and up-to-date, and this information is disclosed in the appropriate reports and records.

As part of an effective internal control system, one person should be designated as the primary person at the subrecipient organization responsible for the financial management of a CDBG-DR project. This person should be familiar with their organization's accounting system and how the accounting of CDBG-DR funds is integrated into the subrecipient's existing system. Refer to 2 CFR 200.303 for more information.

## **Conflict of Interest**

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of subrecipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG-DR activities assisted under this part, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-DR-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-DR-assisted activity, or with respect to the proceeds of the CDBG-DR-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for 1 year thereafter.

## **Equal Opportunity**

Through the use of CDBG-DR funding, no person should be excluded, denied benefits, or subjected to discrimination on the basis of their race, color, national origin, sex, disability, or age. ADFA and its subrecipients may not discriminate in any of the following areas: deciding who will be admitted or have access to any CDBG-DR-funded program or activity; providing opportunities in or treating any person with regard to such a program or activity; or making employment decisions in the administration of or in connection with such a program or activity.

ADFA and the subrecipients must administer and fund programs that are in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601–3619), and implementing regulations, and will affirmatively further fair housing.

## Prevention of Fraud, Waste, and Abuse

This program will be monitored periodically by ADFA to ensure compliance with all federal and State requirements. A subrecipient must agree to return all unexpended funds and improper payments to ADFA in the event of fraud, waste, or mismanagement and/or substantial noncompliance with the guidelines. Complaints regarding fraud, waste, or abuse of funds will be forwarded to the HUD Office of the Inspector General Fraud Hotline (phone: 1-800-347-3735 or email: [hotline@hudoig.gov](mailto:hotline@hudoig.gov)).

The Prevention of Fraud, Waste, and Abuse Policy can be found on the ADFA website

## Davis Bacon

ADFA will only be providing the non-federal match to already completed projects. Therefore, the March 2025<sup>5</sup>, DOL waiver of retroactive Davis Bacon and Related Acts (DBRA) applicability for certain CDBG-DR projects including the 2025 allocations for projects where CDBG-DR funds are used as non-federal match for other federal grant programs. The waiver allows:

### No DBRA applicability if:

All construction work on a project *was completed before* the date the CDBG-DR *grant agreement* was signed by HUD, and CDBG-DR funds are used *only to reimburse those completed project costs*.

The waiver applies to all projects funded by CDBG-DR grants **used as non-federal match for public facilities and improvements, including infrastructure**, whether *contracted by the grantee directly or through subrecipients*.

## Section 3

All projects receiving more than \$200,000 in HUD assistance at a project site are required to comply with the Section 3 rule, as detailed in 24 CFR Part 75. For completed projects, ADFA would ask subrecipients for a list of section 3 labor hours and also ask about qualitative efforts.

## Duplication of Benefits and Subrogation

Because the costs for FEMA PA projects can fluctuate based on scope of work, ADFA will ensure that a duplication of benefit (DOB) is not triggered. The Stafford Act prohibits any person, business concern or other entity from receiving financial assistance from CDBG Disaster Recovery funding with respect to any part of a loss which they have already

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<sup>5</sup> HUD's Office of Disaster Recovery Division, CDBG-DR Guidance: Davis-Bacon and Related Acts (DBRA) Applicability and Department of Labor Waiver Provisions, HUD, 2025.

received financial assistance under any other program, from insurance, or any other sources. To prevent a Duplication of Benefits, matching funds from other sources (i.e., local funds or grants) are considered before ADFA allocates funding.

ADEM will perform a duplication of benefits analysis for each project that includes:

- 1.) assess applicant's total need;
- 2.) identify total assistance;
- 3.) exclude non-duplicative amounts;
- 4.) exclude funds for a different purpose;
- 5.) exclude funds for the same purpose, different allowable use;
- 6.) identify a final DOB amount (if any) and calculate the award; and
- 7.) reassess unmet need when necessary.

ADEM in conjunction with ADFA will verify that subrecipients did not have other local or state funds designated or planned for the activity in any capital improvement plan or budgeted.

Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement requires the entity to notify the State if additional funds are received and to assist the State in collecting any amounts owed to the entity from these sources.

## **Uniform Relocation Assistance**

The Uniform Relocation Assistance and Real Property Acquisition Act of 1970, as amended (the URA) and its implementing regulations at 49 CFR 42, establish minimum standards for federally funded programs and projects requiring the acquisition of real property or displaced persons from their homes or businesses. The URA applies broadly to all planned or intended federally funded projects, funded in part or in whole where acquisition, rehabilitation or demolition occurs in any phase. For applications, properties impacted will indicate on their application if the property is owner-occupied or tenant occupied. The project must consider potential impacts to tenants<sup>6</sup>. If an identified project results in tenants leaving their homes involuntarily (being displaced), the tenants may be eligible for Tenant Relocation Assistance under the URA. These requirements apply to the relocation of

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<sup>6</sup> HUD's [Tenant Assistance, Relocation and Real Property Acquisition Handbook](#) (1378.0)

any displaced person as defined at 49 CFR § 24.2(a)(9). Displaced persons under this definition must be fully informed of their rights and entitlements to relocation assistance and payments provided by the URA and its implementing regulations. For more information, refer to 49 CFR 24, Subpart C. The cost of relocation will be allocated in the ADEM budget for the project and those cost are eligible for CDBG-DR match.

## Recordkeeping

It is important that the subrecipient fully document compliance with all applicable regulations. This is accomplished through maintaining comprehensive records and submitting all necessary reports.

The filing system should be easy to use and should provide a historic account of activities for examination and review by HUD, ADFA, auditors, and local staff. These entities must have access to any pertinent books, records, accounts, documents, papers, and other property that is relevant to the grant. Certain records must be available to the public as well. However, subrecipients must keep files that contain personal information, such as social security numbers, in a secure place.

Records must be retained according to 24 CFR 570.490(d) for the greater of three years from closeout of the grant to the state.

## Audit Requirements

All audits must be conducted in accordance with 2 CFR Part 200 and must be performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) (see 2 CFR 200.514(a)). According to GAGAS, a financial audit should determine whether:

- Financial information is presented in accordance with the established or stated criteria.
- The entity has adhered to specific financial compliance requirements.
- The entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve control objectives.

In conducting an audit, the subrecipient **must** supply the following information to the auditor at the beginning of each audit:

- A copy of the grant information sheet received with the grant agreement
- A copy of the grant agreement
- A copy of all draw requests processed during the fiscal year

- A copy of the monitoring letter if one was issued during or affecting the fiscal year being audited
- A copy of the community's most recent budget, which includes the CDBG-DR funds for the fiscal year
- The location of CDBG-DR project records and the name and phone number for a contact person.

## Payment

### Request for Payments

Subrecipients will be responsible for billing ADFA for invoiced costs. Before the submission of costs to ADFA, subrecipients must verify that vendor invoices are accurate and complete, the activities and costs were incurred during the period of performance, and all required support documentation is included in the payment package.

ADFA will review the draw request and reconcile any issues that may arise as a result. It is anticipated that only one draw per project will be necessary for this program.

### Recapture of funds

There are situations that may trigger duplication of benefits and require ADFA to reduce the amount of CDBG-DR funding used on a project. In addition, failure of a subrecipient to ensure that the use of CDBG-DR funding follows HUD regulations could also trigger a reduction in funding. Applicants who have been identified for recapture of program funding will not be able to close out of the program until all funds have been repaid to the state.

### Program Income

Program income is the gross income received by ADFA or any of its subrecipients that is directly generated from the use of CDBG-DR funds. Information regarding how program income may be generated and used is available at 24 CFR 570.489 and 24 CFR 570.504, as well as on HUD's website. ADFA does not anticipate generating program income through the FEMA Non-Federal Cost Share program. If program income is generated, it will be transferred from the subrecipient to ADFA. Program income will be expended before drawing funds from HUD.

## Closeout

## Subrecipient Close-out

ADFA will ‘piggyback’ on FEMA’s closeout and perform a similar review to ensure projects can be closed out for HUD. In addition to the things FEMA reviews, ADFA will verify that specific HUD requirements are met or not triggered, verify that costs charged to the CDBG-DR grant are eligible, and verify that costs were allocated correctly. As mentioned above, FEMA will verify compliance with procurement and contracting for closeout. ADFA will document that a contract can be closed when all applicable invoices have been received, compliance is met, and no further activity is needed.

## Program Close-out

To close out the FEMA Non-Federal Cost Share program, ADFA staff will verify the following:

- Projects:
  - Confirm that all program activities are complete.
  - Confirm final beneficiary and accomplishment numbers; including Section 3 labor hours.
  - Confirm compliance with all contracts funded through the program.
- Financials:
  - Confirm the total reimbursement through the program and verify that the accounting is accurate.
  - Confirm final reimbursement request has been made.
  - Confirm that the program is not overspent against the Action Plan budget.
- Administrative
  - Confirm documentation is retained for any critical decisions made or policies developed (for future audits).
  - Closeout applicant files and make sure files are consistently organized.
  - Closeout individual activities and the FEMA Non-Federal Cost Share program in DRGR.

The program will be ready for closeout when the conditions are met:

- All eligible activities are completed.

- All funds are expended in full or remaining funds are planned to be returned to ADFA.
- All reporting requirements were completed.
- Any special conditions of the program were met.
- All audit and monitoring issues were resolved.
  - Evidence of having met a national objective
  - Budget, expenditure information, CDBG-DR Draw down requests
  - Source documentation (purchase orders, invoices, canceled checks)
  - Applicable environmental review records
  - Applicable monitoring and audit reports