Chapter 12: Final Reconciliation and Closeout

I. Project Reconciliation and Closeout

FEMA requires timely and complete project-level information from a recipient as work is completed to facilitate efficient and effective closeout of the recipient's prime award. This section defines requirements for project-level closeout. To initiate project-level closeout, subrecipients must inform the recipient that their project is complete and the date the work was completed. The "Public Assistance Program Delivery Guide"[474] provides an overview of these process steps.

A. Small Projects

Under simplified procedures,[475] FEMA bases awards for small projects on cost estimates rather than final accounting. This approach streamlines project closeout and expedites FEMA's processing of PA grant funding by reducing the administrative burden typically associated with large projects. Simplified procedures save both time and resources on small projects, while still providing financial oversight for the bulk of PA funding. Recipients without statutory audit requirements also benefit from these efficiencies in managing PA grants.

For small projects, FEMA obligates funds based on available information when the project is documented, whether based on estimated, actual costs, or a combination. To close these projects, recipients must submit a small project completion certification, confirming that:

- The subrecipient completed the approved scopes of work (SOW) for all small projects in compliance with the FEMA-state/territory/tribe agreement, and
- The recipient has issued all payments according to this agreement.

Once a small project is obligated, FEMA does not adjust the funding amount unless specific conditions are met, such as:

- The subrecipient did not complete the approved scope of work;
- FEMA approves a change in SOW, including additional hazard mitigation;
- The subrecipient received funding not previously deducted to prevent a duplication of benefits (e.g., when actual insurance proceeds exceed the estimated amount deducted);
- When actual insurance proceeds are less than the estimated amount deducted;
- Errors or omissions;
- Hidden damage;
- Non-compliance with applicable laws, regulations, and executive orders; or

[474] For more information, refer to: *Public Assistance Program Delivery Guide*.
[475] Congress enacted Section 422 of the Stafford Act to enhance the administrative efficiency of the PA Program. This section authorizes simplified procedures for projects that fall under the large project threshold. For more information, refer to Simplified Procedures in Chapter 2.

- Fraud, waste, or abuse.

In these cases, FEMA only adjusts the specific cost items affected.

1. NET SMALL PROJECT OVERRUN APPEAL REQUEST

Subrecipients can request additional funding if the combined actual cost of all their small projects exceeds the total amount obligated for all their small projects. FEMA refers to this as a net small project overrun (NSPO) appeal request. Subrecipients must submit a request through the appeal process, described under Appeal Rights and Requirements in Chapter 2, within 60 days of the latest work completion date of all its small projects.[476] If all of a subrecipient's small projects have not been obligated at that time, then the subrecipient has 60 days from the date FEMA obligated its last small project to submit an appeal. The appeal must include actual cost documentation for all approved small projects.[477] For more information regarding the NSPO appeal, see Appeal Rights and Requirements in Chapter 2.

2. SMALL PROJECT CLOSEOUT

If a subrecipient is not requesting an NSPO, the subrecipient must submit a certification of completion for all small projects to the recipient within 90 days of the last small project completion date, or the last approved completion deadline for all of its small projects, whichever is sooner. If work on the last small project was completed prior to obligation, the 90-day timeline begins on the date of obligation.

A recipient must submit certification of completion of its own small projects within 90 days of the latest small project work completion date, or the approved deadline of its last small project, whichever is sooner. If work on the last small project was completed prior to obligation, the 90-day deadline begins on the date of obligation.

B. Large Projects

With exception of capped projects, the final eligible amount for a large project is the actual documented cost incurred to complete the approved scope of work.[478] Subrecipients must provide documentation to support the actual costs within 90 days of work completion.[479] If work on the project was completed prior to obligation, the 90-day timeline begins on the date of obligation. Recipients must submit a large project expenditure report and completion certification and must certify that:[480]

- All incurred costs are associated with the approved scope of work;
- The subrecipient completed all work in compliance with the FEMA-state/territory/tribe agreement and any relevant policies or regulations; and,
- It made all payments in accordance with 2 C.F.R. § 200.305.

A recipient must submit its certification of a subrecipient's completion of each large project with the final claim for PA funding for the project and supporting documentation to FEMA within 180 days of the work

[476] 44 C.F.R. § 206.204(e)(2).
[477] 44 C.F.R. § 206.204(e).
[478] 44 C.F.R. § 206.205(b).
[479] 44 C.F.R. § 206.205(b)(1).
[480] 44 C.F.R. § 206.205(b)(1).

completion date or the project completion deadline, whichever occurs first. If work on the project was completed prior to obligation, the 180-day deadline begins on the date of obligation. The recipient must submit its certification for each of its own large projects within 180 days of the work completion date or the project completion deadline, whichever occurs first. If work on a large project is complete prior to obligation, a recipient's certification and final payment of claim is due within 180-days from the date of obligation.

At a minimum, large project closeout packages must include all applicable documentation to support the work and costs including:

Table 34. Required Documentation and Information to Support a Large Project Closeout Request

Required Documentation and Information to Support a Large Project Closeout Request

▪ Final inspection report;
▪ Summary of scope of work performed;
▪ Summary of expenditures;
▪ Project-related documents to support claimed costs (invoices, timesheets, work orders, trip tickets, etc.), if not previously provided, including:
  ○ Force account labor;
  ○ Force account equipment;
  ○ Materials and supplies; and,
  ○ Contracted work.
▪ Procurement documentation, if applicable (e.g., advertisements, bid tabulations, evaluation);
▪ Mutual aid agreements;
▪ Insurance documentation (final statement of loss);
▪ Project-related correspondence with regulatory agencies;
▪ Change orders;
▪ Personnel pay policies;
▪ All codes and standards incorporated into the scope of work;
▪ Documentation to substantiate compliance with all terms and conditions of the award (e.g., Environmental and Historic Preservation (EHP) compliance documentation, impartial delivery to communities' requirements, and any funding that may duplicate benefits); and,
▪ Photos of completed project, required for categories C-G.

Prior to closing large projects, FEMA:

- Verifies there are no outstanding appeals, audits, or arbitration cases;
- Reviews invoices and other documentation related to the work performed to validate it was consistent with the approved SOW, including completion of any approved PA hazard mitigation (not required at closeout if project was obligated at 100 percent complete based on actual costs);
- Determines whether the subrecipient completed the work within the approved deadline (FEMA limits reimbursement to costs incurred within the deadline);
- Ensures no duplication of funding exists (e.g., with insurance or costs in any other related projects);

- Validates compliance with cost principles, including, but not limited to:
  - Equipment and property disposition;
  - Procurement and contracting (not required at closeout if project was obligated at 100 percent complete based on actual costs); and,
  - Reasonableness of costs.
- Validates compliance with all terms and conditions of the award, including, but not limited to:
  - Code and standard requirements;
  - EHP requirements;
  - Civil rights requirements; and,
  - Insurance obtain and maintain requirements.

If the work is 100 percent complete at the time the project is obligated, the following compliance reviews do not need to be repeated during closeout:

- Determining whether the subrecipient completed the work within the approved deadline;
- Procurement and contracting;
- Reasonableness of costs;
- Code and standard requirements; and,
- EHP requirements.

If FEMA obligated the project at 100 percent complete based on actual costs, the reviews were completed prior to obligation and therefore the reviews do not need to be repeated at closeout. If the project was not 100 percent complete at obligation, FEMA reviews and verifies the accuracy of the actual costs and evaluates and reconciles any cost overruns or underruns. FEMA uses the Public Assistance Sampling Procedure to review documentation supporting claims at closeout. For projects with funding changes, FEMA prepares a project amendment and obligates additional funds or reduces funding based on actual costs to complete the eligible SOW.[481]

FEMA does not re-evaluate the cost-effectiveness of PA mitigation based on the final actual costs of the project and approved PA mitigation measures. If the subrecipient did not complete any of the mitigation SOW, FEMA designates the project as an improved project, reviews the project for compliance, and depending on the evaluation result, either deobligates or caps funding for only the repair/restoration SOW.[482]

For capped projects, subrecipients must provide documentation to support that they used the funds in accordance with the eligibility criteria described under Flexible Restoration (Capped Projects) in Chapter 8.

[481] 44 C.F.R. § 206.205(b)(2).
[482] 44 C.F.R. § 206.203(d)(1).

If a subrecipient did not comply with any of the conditions of the grant, FEMA may deobligate either all or a portion of the funding. Once FEMA completes its review and funding adjustments, FEMA closes the project and notifies the recipient in writing.

C. Subrecipients

Recipients request that FEMA close each subrecipient once all of its respective projects have been completed and closed for the disaster. Recipients may either request this in the same submittal as a subrecipient's last project closeout request or may submit a separate request. The request should include a project completion certification report listing all of the subrecipient's projects.

If all of a subrecipient's projects are closed and there are no outstanding audits, FEMA closes the subrecipient and notifies the recipient in writing.

II. Stafford Act Section 705

Stafford Act Section 705 imposes a 3-year limit on FEMA's authority to recover payments made to state, local, Tribal Nation, and territorial (SLTT) government recipients and subrecipients unless there is evidence of fraud.[483] FEMA must provide notice of intent to recover payments within 3 years from the date that the recipient submitted the certification of project completion to FEMA. Section 705 does not apply to private nonprofits (PNPs). Section 705 also prohibits FEMA from recovering payments for a project within the 3-year statute of limitations if the recipient or subrecipient meet certain criteria.[484] To ensure consistent application of the provisions contained in Section 705, FEMA issued the *Stafford Act Section 705, Disaster Grant Closeout Procedures* policy,[485] which describes the limitations and requirements in detail.

III. Public Assistance Award Closeout

A recipient must submit its final *Federal Financial Report* (SF-425) with a written request to close the PA award. FEMA and the recipient certify that all work was completed, all eligible costs have been reimbursed and financially reconciled. The PA award is programmatically closed when FEMA ensures that all PA projects awarded for the incident met statutory and regulatory requirements. For FEMA to close the PA award, the following conditions must be met:

- FEMA has issued final determinations on all appeals;
- FEMA has obligated all eligible PA funding;
- All recipient and subrecipient projects are closed;
- The recipient has passed through all obligated funds appropriately and submitted its final expenditure report to FEMA;
- FEMA has adjusted the funding level for the program, as appropriate; and,
- Both FEMA and the recipient have completed all administrative actions related to the PA Program.

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[483] Stafford Act § 705(a)(1)(2); 42 U.S.C. § 5205.
[484] Stafford Act § 705(c)(1)(2)(3); 42 U.S.C. § 5205.
[485] For more information, refer to: Stafford Act Section 705, Disaster Grant Closeout Procedures (FP 205-081-2 Version 2) | fema.gov.

Recipients must liquidate all obligations within 120 days of the end of the prime award period of performance. FEMA extends the deadline if the recipient submits a written time extension and provides a reasonable justification for the delay.[486]



Terminology

Final expenditure report - The report a recipient submits to FEMA for all of a subrecipient's projects, certifying that the grant terms and conditions have been met and project costs are reconciled.

IV. Documentation Retention Requirements

Subrecipients must maintain all source documentation for each project[487] for 3 years after the date of transmission of the final expenditure report for project completion as certified by the recipient.[488] A recipient must keep all financial and program documentation for 3 years after the date it submits the final SF-425. There are several exceptions to this timeframe that may require longer retention periods, including exceptions relating to real property and equipment disposition, audits, and litigation.[489] Additionally, SLTT government laws may require longer retention periods.

[486] 44 C.F.R. § 200.344(c).
[487] 2 C.F.R. § 200.302.
[488] For more information, refer to: *Public Assistance Policy on Stafford Act Section 705, Disaster Grant Closeout Procedures | fema.gov*.
[489] 2 C.F.R. § 200.334.