

CDBG-DR Duplication of Benefits Policy



**NEW MEXICO HOME RECOVERY PROGRAM
DEPARTMENT OF HOMELAND SECURITY AND
EMERGENCY MANAGEMENT**

This policy is effective as of 3/20/2026 and may be updated periodically to reflect program implementation and evolving guidance from the U.S. Department of Housing and Urban Development (HUD).

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I. PURPOSE AND SCOPE

Purpose: All CDBG-DR funded programs and projects are required to ensure appropriate procedures are in place to prevent Duplication of Benefits (DOB). State Partner Agencies and Subgrantees must ensure that DOB prevention is specifically addressed in their policies and procedures, and all subrecipient agreements and/or contracts must pass that responsibility down to subrecipients. Additionally, grantees must follow the “necessary and reasonable” cost principles at 2 CFR 200.403 and 200.404. Grantees must consider factors described at 2 CFR 200.404(a) through (e) when determining which types and amounts of cost items are necessary and reasonable. The necessary and reasonable cost principle reinforces the DOB requirements because HUD generally presumes that if a cost has been paid by another source, charging it to the Federal award violates the necessary and reasonable standard unless grant requirements permit reimbursement.

Scope: This policy applies to all CDBG-DR-funded construction activities administered by the Department of Homeland Security and Emergency Management (DHSEM).

II. BACKGROUND

In accordance with Sec. 312 of the Stafford Act (42 U.S.C. 5121, et seq.), all programs receiving Stafford Act disaster recovery funds must ensure that no recipient receives financial assistance more than once for the same damage or loss. This “duplication of benefits” (DOB) prohibition is a core requirement for all federally funded disaster recovery programs. HUD has outlined specific DOB compliance expectations in 90 FR 4759 and Universal Notice, 90 FR 1754.

III. POLICY STATEMENT

All CDBG-DR funded programs/projects must implement procedures to prevent duplication of benefits (DOB). Compliance with HUD guidelines is mandatory, requiring State Partner Agencies and Subgrantees to enforce DOB prevention through their policies and contracts. Duplication of benefits occurs when total assistance received by the applicant exceeds non-duplicative assistance received by the applicant.

DHSEM recognizes that not all prior assistance is automatically considered DOB. To this end, all CDBG-DR programs must implement procedures to identify potential sources of duplication, examine whether that funding was for the same purpose as the proposed program activity, and make a determination to either include or exclude previous funds from the DOB assessment. In housing programs, an applicant with a documented duplication of benefits may be required to contribute those funds to the project or the applicant’s CDBG-DR award may be reduced by the amount of the DOB.

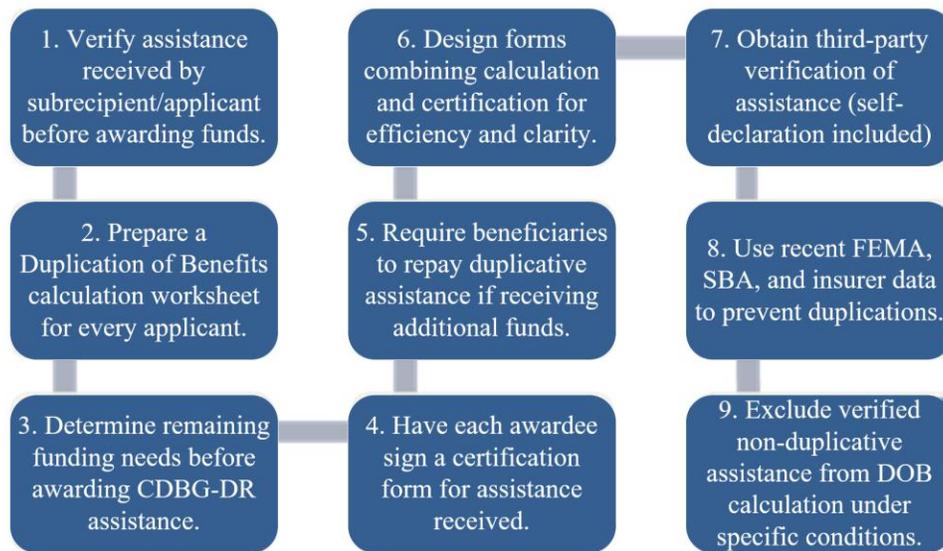


IV. DEFINITIONS

Term	Definition
Community Development Block Grant – Disaster Recovery (CDBG-DR)	A program by HUD provides flexible funding to help cities, counties, and states recover from presidentially declared disasters, focusing on addressing unmet needs not compensated by FEMA or insurance.
Duplication of Benefits (DOB)	Occurs when total assistance received by the applicant exceeds non-duplicative assistance received by the applicant. If a duplication of benefits occurs, the applicant’s CDBG-DR award must be reduced by the amount of the DOB.
Non-Duplicative Assistance	(i) Assistance provided for a different purpose than CDBG-DR funds; or (ii) Assistance provided for the same purpose as CDBG-DR funds that was expended for a different eligible use.
Recapture Procedures	Methods outlined in grant agreements to reclaim funds when DOB is identified, ensuring financial compliance and integrity.
Subrogation	The legal agreement required from applicants receiving CDBG-DR funds. It mandates that if beneficiaries subsequently receive additional financial assistance from other sources for the same recovery purpose, they must reimburse the program for the duplicative funds.
Total Assistance	Includes all reasonably identifiable financial assistance available to the applicant. Total assistance does not include personal assets such as money in a savings account or credit cards

V. PROCEDURES

Below is a general flowchart illustrating the DOB process:



Below is a detailed, step-by-step process for DOB:

Step	Process
1.0	Demonstrate verification of assistance received by the subrecipient or applicant, as applicable, prior to the award of CDBG–DR funds.
2.0	Have a DOB calculation worksheet prepared for each applicant on file.
3.0	Determine a subrecipient’s or an applicant’s remaining funding need(s) for CDBG-DR assistance before committing funds or awarding assistance.
4.0	Each awardee must sign a certification form regarding other assistance received.
5.0	Require beneficiaries to enter into a signed agreement to repay any duplicative assistance if they later receive additional assistance for the same purpose for which the CDBG–DR award was provided.
6.0	Programs have the liberty to design forms that combine the calculation and the certification requirements.
7.0	Third party verification of assistance is required, and every attempt to obtain verifications should be undertaken. When verifications are not obtainable, self-declaration can be used.
8.0	Use the best, most recent available data from FEMA, the SBA, insurers, and any other sources of local, State and Federal sources of funding to prevent DOB prior to an award of CDBG-DR assistance.
9.0	Exclude amounts of assistance in a DOB calculation after the grantee verifies the assistance was provided and used for:



	<ul style="list-style-type: none">• A different purpose than the CDBG-DR eligible activity (a general, non-specific purpose is considered a different purpose (e.g. disaster relief/recovery), if general assistance is not used for the same costs as the CDBG-DR funds). OR• The same purpose, but a different allowable use than the CDBG-DR eligible activity.
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VI. SCOPE OF WORK AND EVALUATION CRITERIA

A. Calculation of Duplication of Benefits

CDBG-DR assistance may only be used for eligible activities that address an applicant’s unmet disaster recovery needs. To comply with the DOB requirements, the grantee or subgrantee must identify and verify all sources of financial assistance available to the applicant.

The review begins by determining the “total assistance” available, which includes all reasonably identifiable disaster-related funding the applicant has received or is entitled to receive. Personal assets such as money in a savings account or credit cards are not considered in this calculation. After total assistance has been determined, the State subtracts any assistance that is non-duplicative, meaning either: (i) it provided for a different purpose than CDBG-DR award; or (ii) it was provided for the same purpose but used for a different allowable use.

A DOB exists when the total assistance available to an applicant exceeds the amount of non-duplicative assistance. In such case, the applicant’s CDBG-DR award must be reduced by the amount of the duplication.

The DOB review process includes:

- Documenting all assistance received; and
- Subtracting all verified non-duplicative assistance.

If the result is a positive number, the difference represents the DOB gap.

Applicants should be advised of the following warning: Any person who knowingly makes a false claim or statement to HUD may be subject to civil or criminal penalties under 18 U.S.C 287, 1001 and 31 U.S.C. 3729.

1. Duplication of Benefits Gap

A DOB Gap is the difference between the total amount of disaster-related assistance an applicant has received or is reasonably expected to receive and the value of verified excludable benefits. If the total assistance received minus excludable benefits is greater than zero, that amount is the DOB Gap. This DOB gap must be resolved (reduced to zero) before the State can execute a Homeowner Grant Agreement.

Applicants may resolve the DOB Gap in one or a combination of the following ways:



- Provide the full DOB Gap amount, along with any additional non-excludable benefits received before project closeout, for deposit into a DOB Gap Funding Account prior to execution of the Grant Agreement.
- For applicants eligible for reconstruction or replacement awards, accept a scope reduction that decreases the value of the benefit provided by the State.
 - Scope reductions are **not** permitted for repair awards.
 - Scope reductions will not be approved if they cause overcrowding or result in a home that does not meet program standards or minimum habitability requirements.

Applicants will be notified in writing if a DOB Gap is discovered. This notification will include written instructions on the acceptable form of payment to resolve the gap, the timeframe for submission, and the consequences for nonpayment. Applicants will have thirty (30) days from the date of notification of DOB Gap to appeal the determination, request an extension for provision of funds, provide the required funds, accept an eligible scope reduction, or use a combination of both methods. If an applicant fails to satisfy the DOB gap or request an extension within the thirty (30) day timeframe allotted, the applicant's case will be closed.

2. Rehabilitation with DOB Gap

If a DOB gap is identified for a rehabilitation project, the applicant must deposit the full DOB Gap amount into a DOB Gap Funding Account before executing a program grant agreement. If the applicant does not deposit additional funds, then rehabilitation will not start on the damaged property until the DOB Gap is resolved. Because rehabilitation projects are limited to bringing the home into compliance with program standards or current code, scope reductions are not permitted as a means of satisfying the gap.

3. Reconstruction or Replacement

If a DOB Gap is identified for a reconstruction or replacement project, the applicant may provide the full DOB Gap amount, elect a scope reduction, or use a combination of both. Scope reductions may be used to resolve the gap or a portion of it if approved by the program. The New Mexico Housing Recovery Program offer a smaller approved house plan or work with construction contractors and their architectural designers to remove scope (fewer bedrooms, bathrooms, windows, etc.) while maintaining program standards. Such reduction in total square footage or home components may allow the program to close the DOB gap and still provide a construction benefit to the applicant. Scope reductions will not be approved if they fail to meet program standards.

Funds provided by the applicant for a DOB Gap will be deposited into the DOB Gap Funding Account and will count toward the program's \$350,000 award cap. All funds in the DOB Gap Funding Account will be applied to project costs before CDBG-DR funds are drawn. DOB Gap funds may not be used for upgrades, additions, or other work not required to meet program standards.



If the remaining DOB Gap exceeds the scope reduction limit, the applicant must provide the balance in the form of a cashier's check or money order before the Grant Agreement is executed. If the applicant is unable or unwilling to satisfy the gap within the established timeframe, the application will be closed.

4. DOB Gap Exceeds Estimated Cost to Repair (ECR)

An applicant can meet the requirements for program eligibility, but still not qualify for an award if the total benefits received by the applicant are greater than the estimated cost to repair, reconstruct, or replace home. In such cases, no CDBG-DR funds will be provided. This is sometimes referred to as a "Zero Award" because though eligible for assistance, the DOB exceeds the award value the program can offer.

5. Ongoing DOB Monitoring

DOB calculations must be updated if additional assistance is received after award but before project closeout. Any new DOB Gap identified must be resolved before further CDBG-DR funds are disbursed.

B. Commonly Available Assistance

The following are common sources of funding for structural damage and loss. If an applicant has received funding from any of these sources, the amount received must be considered available assistance for DOB purposes:

- FEMA Individual Assistance for Structure (IA),
- FEMA National Flood Insurance Program (NFIP),
- Private Insurance Proceeds,
- Increased Cost of Compliance (ICC),
- Small Business Administration (SBA), or
- Any other funding source available to the homeowner for the same purpose as a CDBG-DR grant that may duplicate assistance.

Funds received from any source and which were used to repair disaster damage to the applicant's home prior to application to the New Mexico Home Recovery Program will be excluded from the DOB calculation.

Any additional funds received by an awardee for the repair or replacement of their home, received after the date of application to the New Mexico Home Recovery Program, before or after execution of the grant agreement, and prior to closeout are considered duplicative assistance. Such funds are subject to subrogation and must be repaid to the State in accordance with the terms of the Grant Agreement and applicable CDBG-DR requirements.



1. FEMA Individual Assistance (IA)

FEMA IA may provide funding to applicants for home repairs following a disaster. Any FEMA IA funds received for structural repairs will be considered duplicative assistance and counted in the DOB calculation. The Program will verify FEMA IA amounts using FEMA-provided datasets or applicant-supplied FEMA documentation, such as an award letter. If documentation shows that part of the FEMA IA award was for non-structural purposes, the Program will exclude that portion from the DOB calculation. If the FEMA IA amount cannot be verified through the FEMA database, the Program will use the amount shown on the applicant's FEMA award letter. Applicants may submit FEMA-issued documentation to demonstrate that the verified FEMA IA amount includes non-structural items, and the Program will adjust the calculation accordingly.

2. FEMA National Flood Insurance Program (NFIP)

NFIP insurance proceeds for dwelling loss due to a qualifying disaster are considered available assistance. Payments for contents or other non-structural expenses will be excluded as they are for a different purpose than the CDBG-DR award. The Program will verify NFIP proceeds using third-party NFIP data. If the applicant provides insurance company documentation showing that part of the NFIP payment covered non-structural items, the Program will exclude that portion from the DOB calculation. Documentation must come directly from the insurer and will be retained in the applicant's file.

3. Increased Cost of Compliance (ICC)

ICC coverage, included in all new and renewed Standard Flood Insurance Policies, helps cover costs to meet building requirements that reduce future flood risk. ICC funds are considered a DOB if the applicant seeks CDBG-DR reimbursement for elevation, demolition, floodproofing, or relocation costs and has already received ICC proceeds for those purposes. The Program will determine DOB related to ICC funds for elevation or demolition. If ICC payment details cannot be verified through applicant-provided documentation, the Program will seek verification from NFIP or other reliable sources, including other government agencies.

4. Private Insurance

Settlement amounts from private property, flood, or casualty insurance for dwelling loss are considered available assistance. Payments for contents or other non-structural expenses will be excluded. The Program will verify private insurance proceeds directly with the insurer; if this is not possible, it will use the amount provided by the applicant.

The DOB Analyst will contact the applicant to collect insurance claim information from the applicant if:

- The applicant reported having insurance, but did not file a disaster-related claim; or
- The applicant reported having a mortgage but no insurance at the time of the disaster.



Owner-occupants with insurance or a mortgage who did not file a claim will be required to file and provide proof of the insurer's response. Approved claim amounts will be treated as available assistance in the DOB calculation. If the insurer denies the claim or confirms the filing deadline has passed, the Program may proceed with assistance if an unmet need is confirmed.

5. Other Sources

Any funding received for the same purpose as a Program award, including assistance from nonprofit organizations or the U.S. Army Corps of Engineers (USACE), must be reported by the applicant during the application process. Applicants must provide documentation for these sources, which the Program will verify and include in the DOB calculation.

C. Assistance Not Considered Duplicative

Not all assistance received by an applicant will be considered duplicative of the housing repair, replacement, or reconstruction assistance provided under the HRRP. Any assistance that meets the criteria for being non-duplicative will be excluded from the duplication of benefits (DOB) calculation.

The Program may reduce the DOB total if the applicant can document that the use or control of the funds meets specific criteria. Consistent with federal guidance, HRRP may exclude from DOB calculation assistance that: (1) was provided for a different purpose; or (2) was provided for the same purpose, but for a different, allowable use.

1. Funds for a Different Purpose

Any assistance provided for a purpose other than the CDBG-DR eligible activity will be excluded from the total assistance calculation. This includes assistance provided for a general, non-specific purpose (e.g., "disaster relief/recovery") if not used for the same purpose as the CDBG-DR award.

In most cases, homeowners receive assistance in one of three categories: (1) replacement housing; (2) repair assistance; or (3) interim (temporary) housing. Of these three categories, the assistance provided by CDBG-DR is generally classified as repair assistance. Funding received for purposes different from the New Mexico Home Recovery Program assistance will be excluded for purposes of duplication of benefit determination.

2. Funds Not Available to the Applicant

Funds may be excluded from the DOB calculation if the applicant did not have legal control of the funds when they were received and could not choose to use them for the CBG-DR-funded purpose. *Legal control* means the applicant had no legal right to direct the use of the funds for eligible repair, replacement, or reconstruction activities. All exclusions under this section require supporting documentation; if documentation is not provided, the funds will be counted toward the DOB total.

Examples include the following:



- **Mortgage Holder–Required Payoff:** In some cases, a homeowner’s mortgage agreement requires that any insurance proceeds be applied to reduce the loan balance. When this occurs, the mortgage holder—not the homeowner—controls the funds, making them unavailable for the CDBG-DR purpose. The program may exclude these amounts from DOB if the lender provides written confirmation on official letterhead, signed by an authorized representative, stating that the payoff was required under the mortgage terms.
- **Voluntary Mortgage Payoff:** If a homeowner chooses to apply insurance proceeds to reduce or pay off the mortgage without being required to do so, the funds remain under the homeowner’s control. Because the homeowner had the ability to direct the funds toward eligible repairs, the amount is considered available assistance and must always be counted toward DOB.
- **Forced Mortgage Payoff:** Occasionally, a lender may apply insurance proceeds to a mortgage balance without the homeowner’s consent. If documentation from the lender confirms that this action was taken without homeowner direction, the program may exclude the amount from the DOB calculation.
- **Contractor Fraud:** When a homeowner pays a contractor for repairs and the contractor fails to perform the work, the payment amount may be excluded from DOB if the homeowner has filed a police report and made reasonable attempts to recover the funds before applying to the program.
- **Legal Fees:** Reasonable legal fees incurred to successfully obtain insurance proceeds may be excluded from DOB. To qualify, the homeowner must provide proof of payment and a copy of the judgment or settlement resulting from the legal action. Any other legal fees paid from disaster assistance proceeds will be considered DOB and included in the calculation.

3. Funds for the Same Purpose, But Different Allowable Use

In some cases, an applicant may have received funds for the same general purpose as the New Mexico Home Recovery Program award—for example, home repair or rehabilitation—but used those funds for a different allowable use. Such funds will be excluded from the DOB calculation.

4. Allowable Cost of Repairs

If a homeowner used benefits received from FEMA, SBA, insurance, or other eligible sources to make verifiable repairs to the disaster-damaged property, those costs may be deducted from the DOB assessment. The DOB amount originally calculated by the State will be reduced by the verified value of eligible repairs already completed by the homeowner. All repairs must meet program eligibility standards and be supported by appropriate documentation.

During the damage assessment process, the Program will conduct a Damage Repair Valuation (DRV) to quantify the value of eligible repairs completed by the applicant before submitting their



program application. Verified repairs documented in the DRV will be treated as funds for the same purpose but different allowable use and will be excluded from the DOB total.

Applicants may also submit documentation such as receipts, paid invoices, or similar proof demonstrating that funds from other sources—such as FEMA, SBA, insurance, or other disaster recovery programs—were spent on a different eligible use. The Program will review this documentation on a case-by-case basis to determine whether it meets the requirements for exclusion.

5. Tax Filings

Personal income tax filings, including claims for casualty loss deductions or credits, are not considered available assistance for duplication of benefits purposes and do not affect CDBG-DR funding awards. The Program does not review or factor tax filings into the DOB calculation. Homeowners are advised to consult with a qualified tax professional for guidance on any tax-related matters.

VII. ROLES AND RESPONSIBILITIES

Stakeholder	Roles & Responsibilities
New Mexico Department of Homeland Security and Emergency Management (DHSEM)	The DHSEM is responsible for establishing and maintaining DOB policies and procedures for all CDBG-DR-funded programs. DHSEM must ensure that State Partner Agencies, subgrantees, and subrecipients are monitored for compliance with this policy. The DHSEM retains ultimate responsibility for the administration, interpretation, and application of this policy.

VIII. COMPLIANCE & ENFORCEMENT

All CDBG-DR funded programs and projects must have procedures in place to identify and prevent DOB. State partner agencies and subgrantees are responsible for incorporating DOB prevention measures into their own policies and procedures, and for ensuring that subrecipient agreements and contracts include the same requirements. Any subrecipient or subgrantee providing direct assistance to beneficiaries must follow procedures that align with HUD guidance. At a minimum, the administering agencies are expected to:

- Verify and document all disaster-related assistance received by the subrecipient or applicant before awarding CDBG-DR funds, using third-party data where possible.



- Determine and document the subrecipient's or an applicant's unmet need for CDBG-DR assistance before committing funds or executing an award.
- Prepare and maintain a DOB calculation worksheet for each applicant and update it as new information is received or verified. DHSEM will issue a standard worksheet and written guidance for use by all State Partner Agencies, subrecipients, and subgrantees. These forms and instructions must be used without alteration unless DHSEM provides written approval.
- Obtain a signed certification from each subrecipient or applicant regarding all other assistance received.
- Require beneficiaries to sign a subrogation agreement committing to repay any duplicative assistance received after the CDBG-DR award.
- Pursue third-party verification of all assistance; accept self-certification only when all reasonable verification attempts have been documented and exhausted.
- Use the most current available data from FEMA, the SBA, insurance providers, and any other local, State, and Federal funding sources to prevent DOB before an award of CDBG-DR assistance.
- Exclude assistance from the DOB calculation only when:
 - It was provided for a different purpose than the CDBG-DR eligible activity, OR
 - It was provided for the same purpose but used for a different allowable use than the CDBG-DR eligible activity.

Additionally, grantees must comply with the “necessary and reasonable” cost principles in 2 CFR 200.403 and 200.404 when determining allowable costs. Factors listed at 2 CFR 200.404(a) through (e) must be considered in evaluating both types and amounts of each cost. The necessary and reasonable cost principle reinforces the DOB requirements because HUD generally presumes that if a cost has been paid by another source, charging it to the Federal award violates the necessary and reasonable standard unless grant requirements permit reimbursement.

A. Subrogation

If an applicant receives additional assistance from federal disaster assistance sources, non-profit organizations, insurance, or other sources after the CDBG-DR award determination, these funds may create a duplication of benefits and must be repaid to the program. Applicants are informed of this obligation of this at the application stage, through program reminders, and at award closing where the grant agreement is executed. As a condition of receiving CDBG-DR assistance, applicants must sign a subrogation agreement as a part of the grant execution or closing process. This agreement assigns to DHSEM the applicant's right to recover duplicative assistance from other sources and affirms the applicant's obligation to return any funds that result in a duplication of benefits.

The subrogation agreement will remain in effect through project closeout and final inspection. Applicants must notify the program in writing within 15 days of receiving any additional assistance



for the same purpose. DHSEM will perform a final DOB review prior to closeout to confirm that no new duplicative assistance has been received.

IX. CONFLICTS OF INTEREST AND MODIFICATIONS

To maintain the highest standards of integrity, all stakeholders, including DHSEM staff, subrecipients, contractors, and partners, must adhere to strict conflict of interest guidelines and the Conflict of Interest Policy.

X. DOCUMENTATION & RECORDKEEPING

Each project file must contain complete and verifiable records supporting the DOB determination. At a minimum, the file must include:

- **Duplication of Benefit Calculation Worksheet** – This form must document:
 - The applicant’s unmet need,
 - All sources of assistance provided to the applicant,
 - Identification of any sources determined to be duplicative, with explanatory comments as needed, and
 - The final award calculation after DOB adjustments.

If DOB determinations change during the project, the updated worksheet, date, and the reason for the change must be recorded in the file.

- **Third-Party Verification and Certifications** – Copies of all verification documents used to confirm assistance amounts and eligibility, including:
 - FEMA: Letters from FEMA and/or data provided directly by FEMA,
 - Insurance: Official correspondence from the insurance company and/or available claims data,
 - SBA: Letters from SBA and/or data directly provided by SBA, and
 - Other Programs: Documentation from any additional programs that provided disaster-related assistance.
- Certification that no additional benefits have been received. This can be a signed affidavit from the beneficiary or other form as created by the program.
 - A signed subrogation agreement from the recipient.

Additionally, each implementing agency must also maintain the following at the program level:

- A written description and definition of “Duplication of Benefits” and likely sources of assistance, included either within the program guidelines or the application materials; and



- Recapture policies and procedures describing how duplicative assistance will be recovered if discovered after the award.

All DOB determinations and supporting documentation must be maintained together as a consolidated DOB packet in each beneficiary file. This packet must be complete enough that a third-party reviewer can independently verify the determination without additional explanation.

XI. REFERENCES

Executive Order, Federal and State Laws and Regulations	Description
2 CFR 200.403 and 200.404	Specify federal cost principles for grant spending. Section 200.403 outlines criteria for costs to be allowable, such as necessity and allocability. Section 200.404 defines "reasonable costs," requiring that expenses don't exceed what a prudent person would incur under similar circumstances.
Federal Register, Vol. 88, No. 96, May 18, 2023	Contains official documentation and rulemaking from agencies, including HUD guidelines for Community Development Block Grant Disaster Recovery funds. It provides procedures to determine and exclude non-duplicative assistance in disaster-related aid calculations, ensuring compliance with federal requirements.
HUD's 2019 DOB Notice (84 FR 28836)	Provides guidance for HUD's Community Development Block Grant Disaster Recovery (CDBG-DR) funds. It details how these funds should be managed to comply with the Stafford Act's prohibition on DOB, offering specific procedures and definitions relevant to CDBG-DR recipients.
Stafford Act (42 U.S.C. 5121, et seq.)	Requires all Stafford Act funded programs to ensure that entities in receipt of federal disaster recovery dollars are not compensated for the same damage through multiple sources. This prohibition is also known as the prohibition of duplication of benefits (DOB).