Federal Deposit Insurance Corporation
550 17th Street, N.W., Washington, D.C. 20429-9990 Deputy to the Chairman and CFO

May 12, 2006

MEMORANDUM TO: The Board of Directors

FROM: Steven O. App
Deputy to the Chairman and
Chief Financial Officer

Frederick S. Selby
Director, Division of Finance

SUBJECT: First Quarter 2006 CFO Report to the Board

The attached report highlights the Corporation's financial activities and results for the three-month period ending March 31, 2006.

Executive Summary

- As authorized by the enactment of the Federal Deposit Insurance Reform Act of 2005, the FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the Deposit Insurance Fund (DIF) effective March 31, 2006. The merger of the BIF and SAIF was accounted for by combining the carrying value of each Fund's assets and liabilities.

- Recognition of SAIF Exit Fees Escrow as DIF income on March 31, 2006, added $346 million to comprehensive income and approximately 0.89 basis points to DIF's reserve ratio.

- For the three months ending March 31, 2006, Corporate Operating and Investment Budget related expenditures ran below budget by 12 percent and 29 percent, respectively. The variance with respect to the Corporate Operating Budget expenditures was primarily the result of limited resolutions and receivership activities in the Receivership Funding component of the budget through the first quarter. Detailed quarterly reports are provided separately to the Board for the projects included in the Investment Budget, either by the Capital Investment Review Committee for all information technology projects or by the Division of Administration for the Virginia Square – Phase II project.

- Of the $9.05 million increase in the 2006 operating budget for deposit insurance reform, only $14 thousand was spent as of March 31, 2006.

- Over the last eight quarters, the combined insurance funds' unrealized gain on Available-for-Sale (AFS) securities has declined by a total of $960 million, or 73%, to $350 million as of March 31, 2006. From its peak at March 31, 2004, unrealized gains expressed as a percentage of insured deposits has fallen from 3.7 basis points to 0.9 basis points at the end of the 1st quarter of 2006. Approximately 60 percent of the reduction is due to the passage of time (that is, as AFS securities approach their maturity, any unrealized gains vanish).

The following is an assessment of each of the three major finance areas: financial statements, investments, and budget.

Trends and Outlook	
Financial Results	Comments
I. Financial Statements	• The DIF reserve ratio declined by seven basis points from December 31, 2004, to 1.25 percent as of December 31, 2005. In 2005, estimated insured deposits grew by 7.5 percent (a 19-year high) while the fund balance grew by only 2.3 percent. If anticipated failures remain at historically low levels, Treasury yields rise moderately, and estimated insured deposit growth continues at rates experienced during 2005, the DIF reserve ratio is projected to fall below 1.25 percent by December 31, 2006. • For the first quarter ending March 31, 2006, the DIF's coverage ratio (interest revenues/operating expenses) was 2.13 percent, which is a moderate decline from the 2005 coverage ratio of 2.42 percent. This decline in the coverage ratio stemmed largely from the recognition of negative inflation compensation on the TIPS portfolio in January and February 2006 (which reduced interest revenue), which resulted from a decrease in the Consumer Price Index that occurred in the last two months of 2005. This ratio is expected to moderately increase by year-end 2006 assuming that interest revenue continues to increase and operating expenses are less than the 2005 level.
II. Investments	• The DIF portfolio's par value increased during the first quarter of 2006. Moreover, while the securities that were purchased during the quarter had slightly lower yields than maturing securities, this factor was more than offset by higher yielding overnight investments. Consequently, the DIF portfolio's yield increased by four basis points during the first quarter, rising to 4.86 percent from 4.82 percent. • Expectations are for Treasury market yields to rise modestly, which should lead to increased interest revenue over the long run. Over the short run, increasing yields will accelerate the erosion of existing net unrealized gains on AFS securities. Moreover, regardless of changes in yields, existing net unrealized gains will be reduced due to the passage of time.
III. Budget	• Approximately $220 million was spent in the Ongoing Operations component of the 2006 Corporate Operating Budget, which was $13 million (6 percent) below the budget for the three months ending March 31, 2006. The Outside Services - Personnel expense category was more than $8 million below its year-to-date budget, and represents 64 percent of the total Ongoing Operations variance. • Approximately $2 million was spent in the Receivership Funding component of the 2006 Corporate Operating Budget, which was $16 million (87 percent) below the budget for the three months ending March 31, 2006. The Outside Services - Personnel expense category was $14 million below its year-to-date budget, and represents 84 percent of the total Receivership Funding variance.

I. <u>Corporate Fund Financial Statement Results</u> (See pages 7 - 8 for detailed data and charts.)

Deposit Insurance Fund (DIF)

- Since BIF and SAIF were under the common control of the FDIC, the accounting for the merger followed guidance similar to the pooling method whereby the carrying amounts of each fund's assets and liabilities were combined. The financial position and operating results of the DIF reflects the combination of the funds retrospectively applied to the beginning of 2006 as well as for the prior year for comparative purposes. Recent legislation also removed the restriction on SAIF-member exit fees held in escrow. The exit fees plus earned interest were reclassified on the balance sheet as a combination of *Cash & cash equivalents*, *Investment in U.S. Treasury obligations net*, and *Interest receivable on investments* and were recognized as revenue on the DIF income statement as of March 31, 2006.

- The DIF fund balance was $49.2 billion as of March 31, 2006, compared to $48.6 billion at December 31, 2005, which reflects an increase of approximately 1.2 percent.

- The DIF reported comprehensive income of $596 million for the first quarter of 2006 compared to $110 million for the same period in 2005. This increase of $486 million is primarily due to the recognition of exit fees earned of $346 million, a decrease in the unrealized loss on AFS securities of $110 million, and a decrease in the provision for loss of $26 million.

- DIF reported an unrealized loss on AFS securities of $57 million for the first quarter of 2006 compared to $167 million for the same quarter last year. This significantly lower unrealized loss resulted from a smaller increase in market yields during the first quarter of 2006, a smaller total market value of AFS securities for the first quarter of 2006, and a lower average duration for the AFS securities during the first quarter of 2006.

FRF

- During the first quarter of 2006, FRF paid Goodwill settlements totaling $179 million. For the past five quarters, FRF has paid a total of $881 million in Goodwill and Guarini settlements ($804 million and $77 million, respectively). The FRF payments for the Goodwill settlements were funded by the U.S. Treasury through a separate, indefinite appropriation, however the U. S. Treasury does not fund the Guarini settlement payments.

<u>II. Investments Results and Prospective Strategies</u> (See pages 9 – 10 for detailed data and charts.)

DIF

- During the first quarter of 2006, the par value of the DIF investment portfolio increased by $609 million or by 1.36 percent—from $44.904 billion on December 31, 2005, to $45.513 billion on March 31, 2006.

- The DIF investment portfolio's total return for the first three months of 2006 was -0.13 percent, approximately 27 basis points higher than the return of the benchmark, the Merrill Lynch 1-10 Year U.S. Treasury Index (Index), which earned -0.40 percent during the quarter. The performance relative to the benchmark can be attributed to three factors. First, the DIF investment portfolio's conventional securities have a slightly lower average duration than those in the Index, and consequently, as yields increased over the course of the quarter, the DIF portfolio's conventional securities slightly outperformed the Index. Second, during the quarter, the DIF's TIPS portfolio slightly outperformed the Index's conventional securities. And third, during this quarter, overnight investment balances typically exceeded 5 percent of the DIF's portfolio. On a total return basis, overnight investments outperformed the longer-maturity conventional Treasury securities included in the Index during the quarter.

- During the first quarter of 2006, staff purchased new securities with a total par value of $3.160 billion, a weighted average maturity (WAM) of 7.39 years, a weighted average modified duration of 5.84 years, and a weighted average yield to maturity (YTM) of 4.68 percent. On March 31, 2006, the effective duration of the DIF portfolio was 2.72 years.

The Treasury Market

- Conventional Treasury yields increased dramatically across all maturity sectors during the first quarter of 2006. The largest increases were posted by securities near the three-year sector. Three- and six-month Treasury bill yields were up 53 and 43 basis points, respectively, largely reflecting increases in the federal funds target rate. The two-year note yield, which is also sensitive to actual as well as anticipated changes in the federal funds rate, increased by 42 basis points. Intermediate- to longer-maturity Treasury security yields also increased over the course of the first quarter. The yield on both the five-year Treasury note and the ten-year Treasury note increased by 46 basis points. The Treasury yield curve remained very flat during the first quarter; on March 31, 2006, the ten-year to two-year yield curve spread was only three basis points (compared to a negative one basis point spread at the beginning of the quarter). From a historical perspective, the curve remains significantly flatter; over the past five years, this spread has averaged 155 basis points. Overnight investments and conventional Treasury notes and bonds represent 81.9 percent of DIF's investment portfolio as of March 31, 2006.

- During the first quarter, the TIPS real yield curve underwent a dramatic twist—short-maturity TIPS real yields declined while longer-maturity TIPS real yields increased. The real yield on the DIF portfolio's shortest-maturity TIPS (with a maturity of about two years) decreased by 19 basis points over the quarter, and the real yield on the portfolio's longest-maturity TIPS (with a maturity of about five years) increased by 18 basis points. Moreover, the current "on-the-run" 10-year TIPS maturing on January 15, 2016, increased by 34 basis points over the course of the quarter. TIPS represent 18.1 percent of DIF's investment portfolio as of March 31, 2006.

Prospective Strategies

- The current investment strategies provide the flexibility to purchase a wide range of different Treasury securities with varying maturities, depending on Treasury market conditions and developments during the second quarter of 2006. Similar to the first quarter 2006 investment strategies, if higher yields become available—either as a result of an upward shift in the yield curve or because of potential yield volatility—the second quarter 2006 strategies provide the flexibility to purchase comparatively higher-yielding, longer-maturity Treasury securities.

- The DIF portfolio's primary reserve target floor balance will be reduced to $10 billion in the second quarter of 2006, from $10.5 billion in the first quarter.

III. **Budget Results** (See pages 11 - 12 for detailed data.)

Approved Budget Modifications

During the first quarter of 2006, three modifications were made to the 2006 Corporate Operating Budget:

- The Board of Directors increased the Ongoing Operations component by $9,050,000 and authorized staffing was increased by two positions for the implementation of the deposit insurance reform legislation.

- The Chief Financial Officer approved the reallocation of $3,319,957 within the Ongoing Operations component from the Division of Information Technology (DIT) to Corporate-Unassigned budget. The reduction in DIT's operating budget was the result of completion in late 2005 of the transition of maintenance responsibilities for most application systems to the new Information Technology Applications Services (ITAS) contractors. These funds will remain available to meet unbudgeted funding requirements that arise during the year, including the possible need for additional funds for deposit insurance reform implementation. The reallocation of these funds for such purposes will be reported to the Board in accordance with the 2006 Budget resolution.

- Further reallocation of the Corporate Operating Budget was made among major expense categories within certain divisions in accordance with the authority delegated by the Board to those division directors.

Spending Variances

Significant spending variances by major expense category and division/office are discussed below. Significant spending variances for the three months ending March 31, 2006, are defined as those that either (1) exceed the YTD budget by $3 million and represent more than 5 percent for a major expense category or for a division/office; or (2) are under the YTD budget for a major expense category or division/office by an amount that exceeds $5 million and represents more than 10 percent of the major expense category or total division/office budget.

Significant Spending Variances by Major Expense Category

Ongoing Operations

There was only one major expense category in which a significant spending variance occurred during the first quarter in the Ongoing Operations component of the Corporate Operating Budget:

- Outside Services-Personnel expenditures were $8 million, or 24 percent, less than budgeted, largely due to delays in starting IT projects.

Receivership Funding

There was one major expense category in which a significant spending variance occurred during the first quarter in the Receivership Funding component of the Corporate Operating Budget:

- Outside Services-Personnel expenditures were $14 million, or 89 percent, less than budgeted, primarily due to limited receivership and resolution activity that occurred during the quarter.

Significant Spending Variances by Division/Office[1]

There were two organizations that had a significant spending variance during the first quarter:

- The Division of Resolutions and Receiverships spent $13 million, or 54 percent, less than budgeted. This was primarily because spending for contractual services was $10 million less than budgeted during the first quarter due to the low level of resolution and receivership management workload.

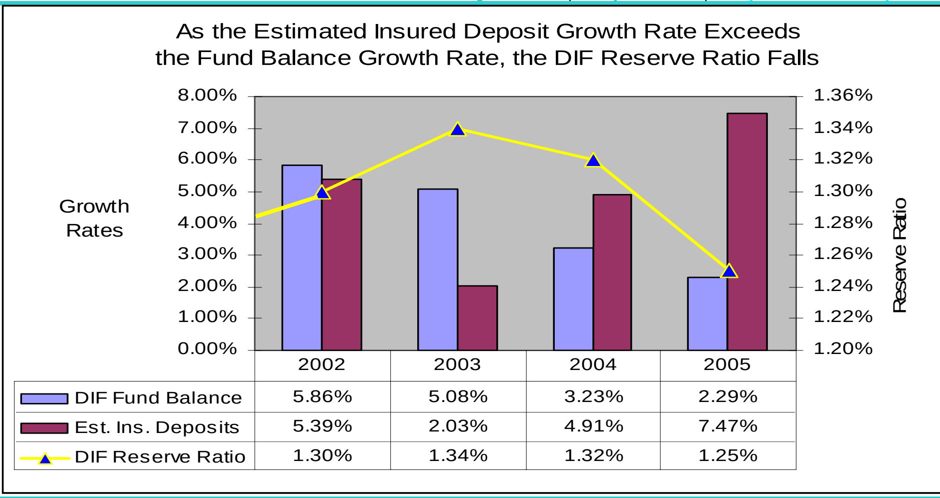
- The Division of Information Technology spent $7 million, or 15 percent, less than budgeted, due to delays in the start of certain IT projects.

[1] Information on division/office variances reflects variances in both the Corporate Operating and Investment Budgets.

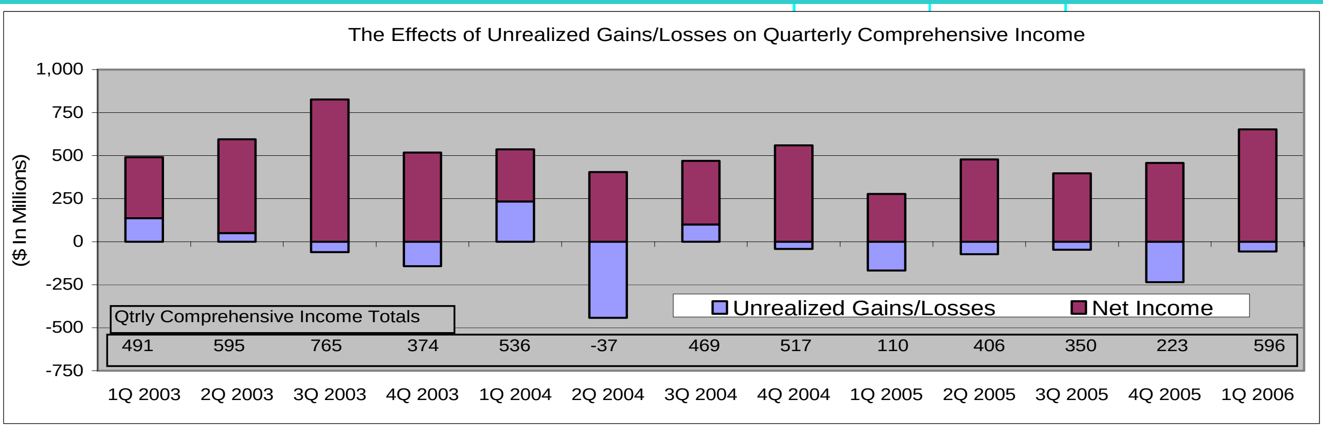
Fund Financial Results

($ in millions – All data is unaudited)

Balance Sheet	Deposit Insurance Fund				
	Mar-06	Dec-05	Change	% Change	Mar-05
Cash & cash equivalents - unrestricted	$ 1,426	$ 3,209	(1,783)	(56%)	$ 1,123
Cash & other assets - restricted for SAIF member exit fees	na	342	na	na	331
Investment in U.S. Treasury obligations, net:	46,647	44,240	2,407	5%	45,157
Interest receivable on investments and other assets, net	722	738	(16)	(2%)	837
Receivables from resolutions, net	497	534	(37)	(7%)	621
Property, buildings and other capitalized assets, net	377	378	(1)	0%	364
Total Assets	$ 49,669	$ 49,441	228	0%	$ 48,433
Accounts payable and other liabilities	266	297	(31)	(10%)	270
Contingent Liabilities: future failures	9	5	4	80%	14
Contingent Liabilities: litigation losses & other	201	200	1	1%	201
SAIF member exit fees & investment proceeds held in escrow	na	342	na	na	331
Total Liabilities	$ 476	$ 844	(368)	(44%)	$ 816
FYI: Unrealized gain on available-for-sale securities	350	407	(57)	(14%)	761
FUND BALANCE	$ 49,193	$ 48,597	596	1%	$ 47,617



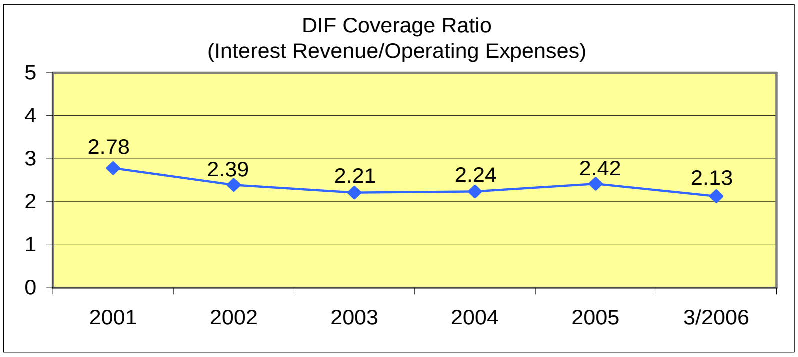
Income Statement	Deposit Insurance Fund			
	Mar-06	Dec-05	Mar-05	Year-Over-Year Change
Assessments earned	$ 5	$ 61	$ 14	(9)
Interest earned on investment securities	478	2,342	474	4
Exit fees earned [1]	346	0	0	346
Other revenue	5	18	4	1
Total Revenue	$ 834	$ 2,421	$ 492	342
Operating expenses (includes depreciation expense)	224	966	233	(9)
Provision for insurance losses	(45)	(160)	(19)	(26)
Other expenses	2	4	1	1
Total Expenses & Losses	$ 181	$ 810	$ 215	(34)
Net Income	$ 653	$ 1,611	$ 277	376
Unrealized (loss) on available-for-sale securities	(57)	(521)	(167)	110
YTD Comprehensive Income	$ 596	$ 1,090	$ 110	486



[1] Due to the enactment of the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, the restriction on SAIF-member exit fees was removed and recognized as income of the DIF as of 3/31/06.

Fund Financial Results - continued ($ in millions – All data is unaudited)

Income Statement - (continued)



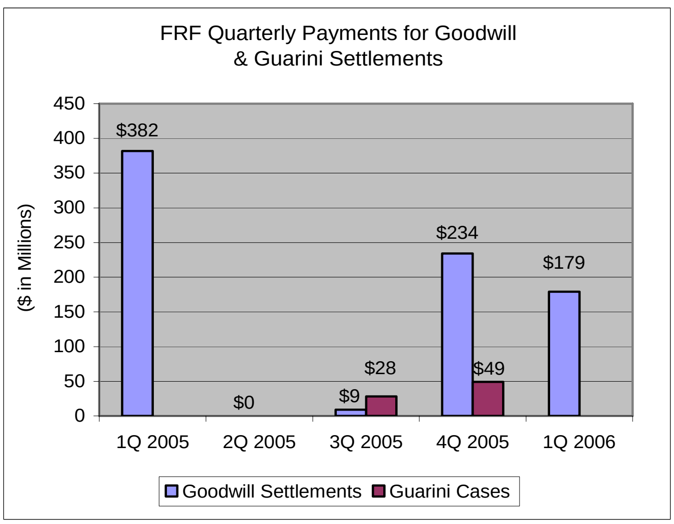
Statements of Cash Flows

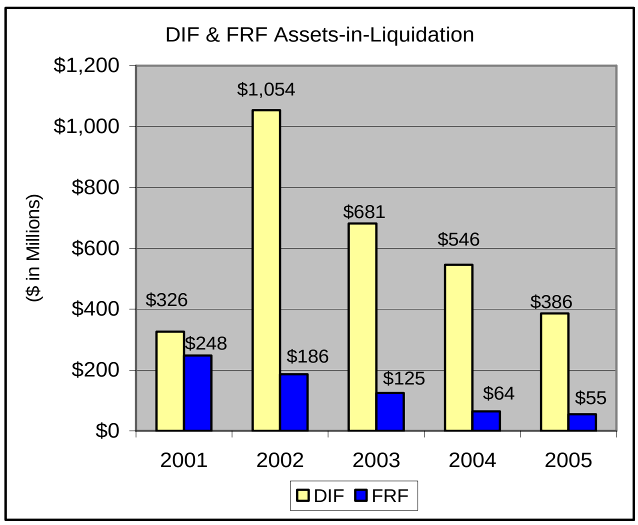
Deposit Insurance Fund

	Mar-06	Dec-05	Mar-05	Year-Over-Year Change
Net Income	$ 653	$ 1,611	$ 277	376
Amortization of U.S. Treasury obligations (unrestricted)	148	834	240	(92)
TIPS Inflation Adjustment	39	(345)	7	32
Depreciation on property and equipment	13	55	13	0
Provision for insurance losses	(45)	(160)	(19)	(26)
Net change in operating assets and liabilities	(272)	404	89	(361)
Net Cash Provided by Operating Activities	$ 536	$ 2,399	$ 607	(71)
Investments matured and sold	1,025	10,050	2,550	(1,525)
Investments purchased (includes purchase of property and equipment)	(3,366)	(11,741)	(4,537)	1,171
Net Cash (Used) by Investing Activities	$ (2,341)	$ (1,691)	$ (1,987)	(354)
Net Decrease in Cash and Cash Equivalents	(1,805)	708	(1,380)	(425)
Cash and Cash Equivalents at beginning of year	3,231	2,523	2,523	708
Unrestricted Cash and Cash Equivalents - Ending	1,426	3,209	1,123	na
Restricted Cash and Cash Equivalents - Ending	na	22	20	na
Cash and Cash Equivalents - Ending	$ 1,426	$ 3,231	$ 1,143	283

FSLIC Resolution Fund (FRF)

	Mar-06	Dec-05	Mar-05	Year-Over-Year Change
Cash and cash equivalents	$ 3,636	$ 3,602	$ 3,549	87
Accumulated deficit, net	(123,777)	(123,631)	(123,172)	(605)
Resolution Equity	3,409	3,376	3,593	(184)
Total revenue	$ 37	$ 122	$ 20	17
Operating expenses	3	25	6	(3)
Expenses for goodwill settlements and litigation	179	718	382	(203)
Comprehensive income/(loss)	(146)	(826)	(367)	221





Deposit Insurance Fund Portfolio Summary

(in millions)

	3/31/06	12/31/05	Change
Par Value	$45,513	$44,904	$609
Net Carrying Amount (Amortized Cost)	$47,718	$47,038	$680
Market Value	$47,747	$47,610	$137
Primary Reserve [1]	$12,596	$14,246	($1,650)
Primary Reserve Target Floor	$10,500	$10,500	$0
Primary Reserve % of Total Portfolio	26.0%	29.5%	(3.5%)
Year-to-Date Total Return (Portfolio)	(0.13%)	2.01%	NA
Year-to-Date Total Return (Benchmark) [2]	(0.398%)	1.58%	NA
Total Return Variance (in basis points)	27	43	NA
Yield-to-Maturity [3]	4.86%	4.82%	0.04%
Weighted Average Maturity (in years)	3.52	3.29	0.23
Effective Duration (in years) [4]			
Total Portfolio	2.72	2.53	0.19
Available-for-Sale Securities	1.73	1.85	(0.12)
Held-to-Maturity Securities	3.09	2.97	0.12

[1] Primary Reserve is the total market value (including accrued interest) of overnight investments, available-for-sale securities, and held-to-maturity securities maturing within three months.

[2] The benchmark is the total return of the Merrill Lynch 1-10 Year U.S. Treasury Index.

[3] The yield-to-maturity includes the potential yield of Treasury Inflation-Protected securities (TIPS), which assume an average year-over-year increase in CPI of 2.2%.

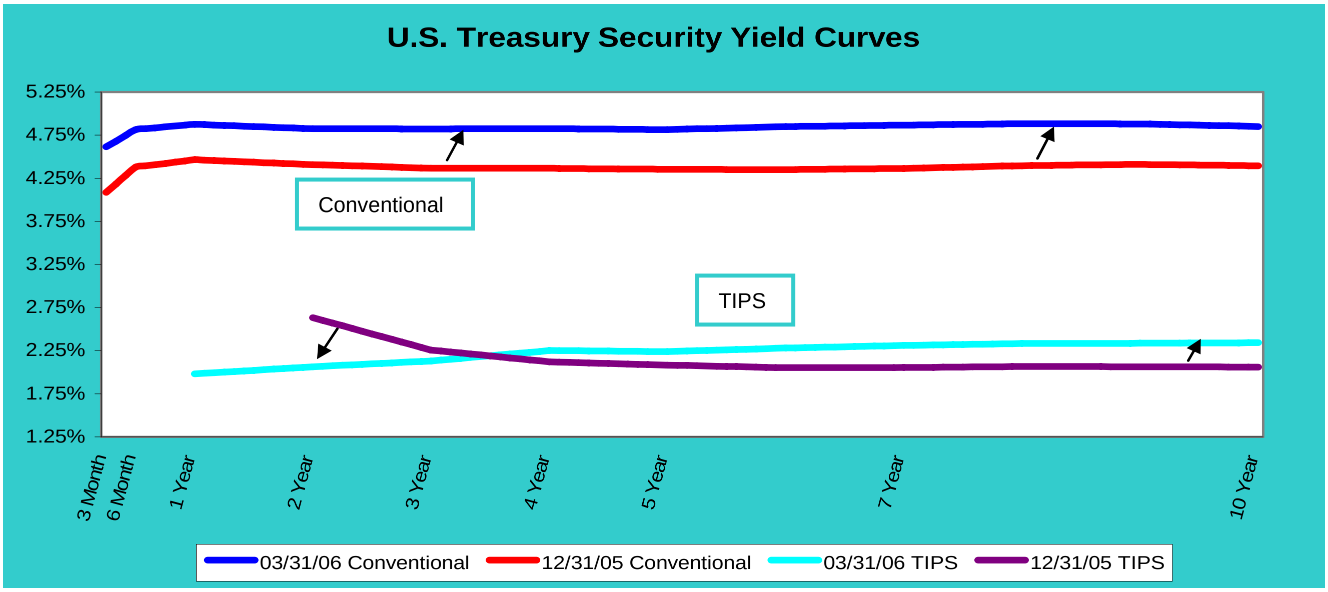
[4] For each TIPS, a 60% factor is applied to its real yield duration to arrive at an estimated effective duration.

National Liquidation Fund (NLF) Investment Portfolio Summary

(Dollar Values in Millions)

	3/31/06	12/31/05	Change
Book Value [5]	$417	$489	($72)
Yield-to-Maturity	4.87%	4.33%	0.54%
Weighted Average Maturity (in days)	40	40	0

[5] Due to the short-term nature of the NLF, the portfolio's Book and Market Values are identical for reporting purposes.



Approved Investment Strategy

DEPOSIT INSURANCE FUND

Current Strategy as of 1st Quarter 2006

Maintain a $200 million target floor overnight investment balance.

Strategically invest all available funds in excess of the target overnight investment balance, which may include purchasing conventional Treasury securities within the zero- to twelve-year maturity sector, purchasing Treasury Inflation-Protected securities (TIPS) within the two- to ten-year maturity sector, and/or purchasing callable Treasury securities with final maturities not to exceed twelve years, subject to the following limitations:

- → TIPS should not total more than $8.9 billion (adjusted par value) by quarter end;
- → Available-for-sale (AFS) securities should not total more than $9.4 billion (par value) by quarter end; and
- → All newly purchased AFS securities should have maturities of six years or less.

Moreover, staff will strive to maintain a $10.5 billion target floor primary reserve balance.

Strategy Changes for 2nd Quarter 2006

Overnight investment target floor balance reduced from $200 million to $150 million.

TIPS limit raised from $8.9 billion to $9.0 billion.

AFS securities limit lowered from $9.4 billion to $9.2 billion.

Primary reserve target floor balance reduced from $10.5 billion to $10.0 billion.

NATIONAL LIQUIDATION FUND

Current Strategy as of 1st Quarter 2006

Maintain a $30 million target floor overnight investment balance.

Strategically invest the remaining funds in the zero- to 12-month maturity sector.

Strategy Changes for 2nd Quarter 2006

None

Executive Summary of 2006 Budget and Expenditures by Major Expense Category Through March 31, 2006 (Dollars in Thousands)

Major Expense Category	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Ongoing Operations				
Salaries & Compensation	$155,513	$151,793	98%	($3,720)
Outside Services - Personnel	34,872	26,448	76%	(8,424)
Travel	11,288	9,832	87%	(1,456)
Buildings	19,214	19,040	99%	(174)
Equipment	7,420	8,021	108%	601
Outside Services - Other	2,767	3,141	114%	374
Other Expenses	2,401	2,055	86%	(346)
Total Ongoing Operations	**$233,475**	**$220,330**	**94%**	**($13,145)**
Receivership Funding				
Salaries & Compensation	$855	$1	0%	($854)
Outside Services - Personnel	15,337	1,673	11%	(13,664)
Travel	1,419	220	16%	(1,199)
Buildings	575	35	6%	(540)
Equipment	56	0	0%	(56)
Outside Services - Other	136	3	2%	(133)
Other Expenses	376	565	150%	189
Total Receivership Funding	**$18,754**	**$2,497**	**13%**	**($16,257)**
Total Corporate Operating Budget	**$252,229**	**$222,827**	**88%**	**($29,402)**
Investment Budget [1]	**$10,638**	**$7,576**	**71%**	**($3,062)**
Grand Total	**$262,867**	**$230,403**	**88%**	**($32,464)**

1) Budgets for investment projects are approved on a multi-year basis; the "Year-to-Date Budget" amount reflects the 2006 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee for all information technology projects and by DOA for the Virginia Square - Phase II project.

Executive Summary of 2006 Budget and Expenditures by Budget Component and Division/Office Through March 31, 2006 (Dollars in Thousands)

Division/Office	YTD Budget	YTD Expenditures	% of Budget Used	Variance
Corporate Operating Budget				
Supervision & Consumer Protection	$93,854	$88,229	94%	($5,625)
Information Technology	39,167	33,539	86%	(5,628)
Administration	41,047	42,482	103%	1,435
Resolutions & Receiverships	24,641	11,176	45%	(13,465)
Legal	22,860	18,179	80%	(4,681)
Insurance & Research	7,647	7,910	103%	263
Finance	6,785	6,528	96%	(257)
Inspector General	6,381	5,478	86%	(903)
Corporate University	5,207	5,364	103%	157
Executive Support [1]	3,251	2,984	92%	(267)
Executive Offices [2]	889	954	107%	65
Government Litigation	500	4	1%	(496)
Total, Corporate Operating Budget	**$252,229**	**$222,827**	**88%**	**($29,402)**
Investment Budget [3]				
Information Technology	$3,659	$2,759	75%	($900)
Administration [4]	6,087	4,668	77%	(1,419)
Resolutions & Receiverships	188	181	96%	(7)
Insurance & Research	700	0	0%	(700)
Finance [5]	4	(32)	(800%)	(36)
Total, Investment Budget [3]	**$10,638**	**$7,576**	**71%**	**($3,062)**
Combined Division/Office Budgets				
Supervision & Consumer Protection	$93,854	$88,229	94%	($5,625)
Information Technology	42,826	36,298	85%	(6,528)
Administration [4]	47,134	47,150	100%	16
Resolutions & Receiverships	24,829	11,357	46%	(13,472)
Legal	22,860	18,179	80%	(4,681)
Insurance & Research	8,347	7,910	95%	(437)
Finance	6,789	6,496	96%	(293)
Inspector General	6,381	5,478	86%	(903)
Corporate University	5,207	5,364	103%	157
Executive Support [1]	3,251	2,984	92%	(267)
Executive Offices [2]	889	954	107%	65
Government Litigation	500	4	1%	(496)
Grand Total	**$262,867**	**$230,403**	**88%**	**($32,464)**

1) Executive Support includes the Offices of Diversity and Economic Opportunity, Public Affairs, Ombudsman, Legislative Affairs, and Enterprise Risk Management.

2) Executive Offices include the Chairman, Vice Chairman, Board of Directors, Chief Operating Officer, and Chief Financial Officer.

3) Budgets for investment projects are approved on a multi-year basis; the "Year-to-Date Budget" amount reflects the 2006 spending estimates for approved projects. Detailed quarterly reports on the status of those projects are provided separately to the Board by the Capital Investment Review Committee for all information technology projects and by DOA for the Virginia Square - Phase II project.

4) The budget for the Virginia Square - Phase II investment project is included in the totals of the Division of Administration.

5) The credit balance in the YTD Expenditures column for the Division of Finance is a result of a $32,000 correction for expenditures incorrectly charged to the ASTEP project in 2005.