

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Audit of Federal Emergency
Management Agency Public
Assistance Grant Funding Awarded to
the City of Richmond California After
the Loma Prieta Earthquake**

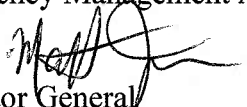




Homeland Security

February 7, 2007

MEMORANDUM FOR: David Garratt
Acting Director, Recovery Division
Federal Emergency Management Agency

FROM: Matt Jadacki 
Deputy Inspector General
Office of Disaster Assistance Oversight

SUBJECT: *Audit of Federal Emergency Management Agency Public
Assistance Grant Funding Awarded to the City of Richmond,
California After the Loma Prieta Earthquake
Audit Report Number OIG-07-26*

We audited public assistance grant funds awarded to the City of Richmond, California (City) for FEMA Disaster Number 845-DR-CA.¹ The objective of the audit was to determine whether the City expended and accounted for FEMA funds according to federal regulations and FEMA guidelines.

The City received a public assistance grant award of \$16.4 million from the California Office of Emergency Services, a FEMA grantee, for damage resulting from the Loma Prieta Earthquake and the subsequent aftershocks, beginning October 17, 1989. The award provided 75 percent federal funding for two large projects and ten small projects.² This audit covered the period October 17, 1989, through May 14, 2003, and included the review of one large project associated with the repair and rehabilitation of the Ford Assembly Building, a registered historic landmark (Damage Survey Report 78123). Funding for this project totaled \$16.2 million. FEMA Region IX (Region) considered this application closed on May 5, 2004, or about 14½ years after the earthquake occurred.

We performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to *Government Auditing Standards* issued by the Comptroller General of the United States. The audit included the review of FEMA, Office of Emergency Services, and City records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances. FEMA's share of the \$16.2 million in total project funding was \$12.2 million.

Because a current senior FEMA Region IX official was previously a senior official with the Office of Emergency Services, and this individual made funding and scope of work decisions affecting the

¹ The Public Assistance Identification Number for the City of Richmond is 013-60620.

² Federal regulations in effect at the time of the disaster set the large project threshold at \$36,500.

City both as an Office of Emergency Services and FEMA employee, we are addressing this report to FEMA Headquarters for review and comment.

INTRODUCTION

The Ford Assembly Building is a registered historical landmark that first opened in 1931. The Ford Motor Company used the Ford Assembly Building during World War II as a plant for jeep and tank construction. In 1955, the Ford Motor Company sold the plant to the University of California and in March 1979, the City acquired it from the University for \$7.7 million and allowed the University to occupy it until 1984. In 1984, the City rented approximately one third of the Ford Assembly Building to a commercial bio-technical firm that used the rented space as a laboratory. In December 2004, the City sold the land and most of the Ford Assembly Building (holding onto the portion subject to coastal/environmental concerns) for \$5.4 million after expending \$16.2 million in project costs for repair and mitigation work accomplished after the Loma Prieta Earthquake.

Exhibit A to this report provides a chronology and the key events surrounding public assistance funding and the general FEMA-approved scope of work for Ford Assembly Building repairs and mitigation. Exhibit A also details the appeal history associated with the nearly 14½-year project duration. Exhibit B provides a summary of the Code of Federal Regulations (CFR) provisions for grantee and subgrantee appeals of FEMA decisions and actions in effect at the time of the City's appeals.

RESULTS OF AUDIT

With the Region's approval, the City spent all of the FEMA funds received for repairs to the Ford Assembly Building but did not finish the reduced scope of work described in Damage Survey Report 21043 (supplement to Damage Survey Report 78123) before selling the building. The Region did not implement the final agency determination. Specifically, the Region reduced the scope of required work approved by the FEMA Director but allowed the City to claim all of the \$15.5 million awarded for disaster repairs and mitigation as a result of the City's third appeal. Additionally, the Region further reduced the scope of work approved in the Director's determination and did not ensure that the City complied with grant requirements. In this regard, the City sold the Ford Assembly Building before completing the 12 specific work items contrary to specific conditions of the final grant award (see Exhibit C). Also, while FEMA provided \$16.2 million for Ford Assembly Building architectural, engineering, repair, and mitigation costs, the City sold the Ford Assembly Building to a developer in December 2004 for \$5.4 million, bringing into question the efficacy of the project. Therefore, we question total project funding of \$16.2 million (FEMA's share is \$12.2 million).

FEMA Region IX Exceeded Its Authority and Did Not Require the City to Comply with the Terms and Conditions of the Grant Award

The Region exceeded its authority when it overrode the FEMA Director's third and final appeal determination. Specifically, the Region reduced the required scope of work, including work required to comply with the Americans with Disabilities Act. Also, the Region did not require the City to comply with grant requirements. As discussed below, the City (1) did not comply with specific terms and conditions of the final grant award because it did not complete the scope of work approved and funded by FEMA and (2) abrogated its legal responsibility for the Ford Assembly Building when the City sold it to a private developer.

- **FEMA Region IX Disregarded the FEMA Director’s Scope of Work Determination**

As shown in Exhibit A to this report, the FEMA Director provided the City with a final agency determination in July 1997, bringing an end to the City’s administrative appeal rights relating to the scope of disaster damage and related funding for the project. The third appeal determination provided a total of \$15.5 million for disaster repairs and mitigation to the Ford Assembly Building, including funding for one Americans with Disabilities Act-compliant passenger elevator, repairs to other elevators, and other Americans with Disabilities Act upgrades for the portion of the building in use at the time of the earthquake (such as widening some doors, adding handicap hardware and making a portion of the existing bathrooms Americans with Disabilities Act compliant). While the Director’s determination was specific as to the project’s scope of work and funding, and gave the City notice that its administrative appeal rights had been exhausted, on July 29, 2002, the Region reduced the scope of required work and yet still allowed the City to claim all of the \$15.5 million the Director awarded for disaster repairs and mitigation.

The reduced scope of work did not require the City to comply with the Americans with Disabilities Act although the appeal decisions earmarked specific funding for an Americans with Disabilities Act-compliant elevator. FEMA issued its Public Assistance Guide (FEMA 286, September 1996) prior to the Director’s determination and in it indicated that the requirements for access to buildings by persons with disabilities as specified in the Americans with Disabilities Act apply to restorations under the Stafford Act.³ While the second and third appeal determinations provided additional project funding for Americans with Disabilities Act upgrades, the Region did not include the Americans with Disabilities Act work in the revised scope when it approved supplemental Damage Survey Report 21043.

Section 423 of the Stafford Act, 42 U.S.C. § 5189a, allows disaster assistance applicants to appeal FEMA’s decisions regarding eligibility and funding, and 44 CFR § 206.206 implements the statutory provisions of the Act by providing guidance on the timeframes for submitting and adjudicating appeals by subgrantees (see the Exhibit B). While the 7½ years taken to adjudicate the three City appeals far exceeded the established statutory timeframes, the Region was bound by those regulations to take appropriate implementing action based on the Director’s third and final appeal determination. We based this conclusion on the regulatory provisions of 44 CFR § 2.2(a) and 44 CFR § 2.4(a) that indicate:

- The Director is the head of FEMA.
- All authorities of FEMA are either vested in the Director by statute or have been transferred to or delegated to the Director.
- All powers and duties not delegated by the Director are reserved to the Director.

Thus, the Region exceeded its authority when it reduced the scope of work specified in the Director’s determination. Further, the Region’s files and correspondence on the project lacked the documentation necessary to justify its actions. We could only conclude that the Region’s actions were taken to effect resolution of longstanding scope of work and funding issues and closure of a project that remained open for about 14½ years. As previously indicated, FEMA

³ FEMA’s Public Assistance Policy Digest (FEMA 321), issued October 2001, provided additional Americans with Disabilities Act eligibility guidelines and indicated that for buildings eligible for repair, FEMA will fund the full cost of Americans with Disabilities Act-relevant repairs to the damaged elements of the facility. Also see 44 CFR §206.226(b).

and Office of Emergency Services records showed that the City expressed concerns about meeting the requirements of the grant and believed the project was not in the best interest of the City. However, rather than terminating the project because the City was uncertain as to if, how, or when the disaster repair work would be done, the Region allowed the City to expend and claim \$15.5 million for disaster repairs for a reduced scope of work over the course of about 14½ years.

- **FEMA Region IX Did Not Require the City to Comply with the Terms and Conditions of the Grant Award**

As further discussed in Exhibit A to this report, the FEMA Director's third appeal decision in July 1997, determined the eligible funding to be \$16,226,089 for this project's identified scope of work. In a letter dated July 28, 1998, FEMA informed the City that FEMA does "...not require that funds for specific items of approved work be tracked to those particular items of work. The work for which FEMA funding was approved must, however, be completed before the final FEMA-approved completion date." In July 1998, the project completion deadline was December 31, 1998. All the involved parties acknowledged that this was not a realistic completion date; however, FEMA indicated it would approve further deadline extensions as long as the City continued to make progress in completing the Ford Assembly Building project. In the same July 1998 letter, the Region required the City to complete the FEMA-funded repair work prior to transferring title to a developer or buyer. We noted that in February 2002, project documentation reflected a completion deadline of September 29, 2000 but little actual progress had been made in the rehabilitation of Ford Assembly Building. For reasons not clear in project documentation, the Region reduced the scope of work in July 2002 but not the funding amount approved through the third appeal and imposed the following terms and conditions regarding the grant:

- Complete the reduced scope of work, consisting of 12 specific items by March 31, 2003 (see Exhibit C),
- Complete repairs to the entire building before selling Ford Assembly Building, and
- Spend the entire \$16,226,089 funded for this project by the March 31, 2003 deadline (\$743,306 funded for architectural and engineering fees to determine the scope of disaster damage and \$15,482,783 funded for repairs).

Of the three requirements, the City only met the third - it had spent the \$16.2 million by the March 31, 2003 deadline. According to the contractor records we reviewed, the City did not finish 3 of the 12 items required by March 31, 2003: (1) repair the south wall, (2) replace the monitor sash frames, and (3) complete repair of the fire sprinkler system. In fact, the monitor sash frames were not fully repaired until September 30, 2005, 9 months after the building was sold to a developer. City officials told us that based on direction provided by FEMA, the City met the requirements of the grant when the funds were exhausted, irrespective of the level of disaster work completed.

As previously stated, the Region established another grant requirement in supplemental Damage Survey Report 21043 (July 29, 2002) wherein the City was informed, "...The eligibility of the facility is predicated on it remaining the legal responsibility of the subgrantee until all work approved in this Damage Survey Report is completed..." Because the City sold the building

prior to completing the work, it failed to retain legal responsibility for the work and thus, was not eligible for public assistance funding. According to 44 CFR § 206.223 (a)(3), to be eligible for financial assistance, an item of work must be the legal responsibility of an eligible applicant. In addition, 44 CFR § 206.204, *Requests for time extensions*, established the regulatory procedures for extending the project performance periods and indicates if a project is not completed within the approved schedule no federal funding will be provided for that project. In this case, the project was not completed before the City's legal responsibility for the repairs and mitigation ended with the sale of the Ford Assembly Building in December 2004.

We question FEMA's decision that allowed the City to keep and use public assistance funding for a project that: 1) did not comply with grant requirements, and 2) did not invest federal dollars effectively. In addition to selling the Ford Assembly Building prior to complying with grant requirements and after spending all of the \$16.2 million in federal funding, the City sold a part of the property for substantially less than the federal investment. Thus, FEMA's funding for this project did not provide any immediate benefit to local governments and communities.

Summary. We concluded that since the City did not comply with grant requirements, it was not eligible to receive the \$16,226,089 FEMA provided for repairs to the Ford Assembly Building under Damage Survey Report 78123. Project records showed that the City did not complete the reduced scope of work prior to the stated March 31, 2003 deadline or prior to the December 2004 sale of the building. Since the City failed to comply with the grant requirements by not completing the project within the specified deadlines and by selling the building before the project scope was completed, the project is ineligible for FEMA funding, as explained in 44 CFR § 206.204(d)(2). Therefore, as allowed by 44 CFR § 13.43(a)(2), *Enforcement: Remedies for Noncompliance*, we recommend that FEMA disallow the \$15.5 million for repairs/mitigation and the \$743,306 for earlier funded architectural and engineering costs, for total questioned costs of \$16,226,089.

RECOMMENDATIONS

We recommend that the Director, Recovery Division, FEMA Headquarters:

1. Require FEMA Region IX to abide by and carry out FEMA Headquarters appeal decisions and develop a method to track appeal decisions and their final regional resolutions; and
2. Require that FEMA Region IX, in coordination with the Office of Emergency Services, disallow \$16,226,089 since the City did not comply with the terms and conditions of the grant award.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW UP

We communicated the results of this audit to City and Office of Emergency Services officials on September 6, 2006. Those officials did not agree with our conclusion that FEMA should disallow the questioned costs. We also discussed the audit results with FEMA on September 18, 2006. FEMA withheld comments pending receipt of this report.

Please advise this office within 90 days, of any actions taken in response to the recommendations in this report. Should you have any questions, please contact me at (202) 254-4100, or your staff may contact Robert Lastrico, Western Regional Director, Office of Disaster Assistance Oversight, at (510) 637-1461. Key contributors to this assignment were Humberto Melara, Trudi Powell, and Willard Stark.

Chronology and Key Events
Public Assistance Funding, Scope of Work, and Appeal History

Event	Date	Description	Time Between Events	Total Elapsed Time
1	Oct. 17, 1989	The Loma Prieta Earthquake occurred.	--	--
2	Dec. 18, 1989	The City forwarded its first appeal documentation to the Office of Emergency Services challenging FEMA's \$272,000 damage repair estimate.	2 months	0.2 years
3	Aug. 14, 1991	The Office of Emergency Services forwarded the City's first appeal to FEMA Region IX (Region).	20 months	1.8 years
4	Jul. 21, 1995	The Region rendered its first appeal determination awarding \$3.7 million in public assistance funding.	47 months	5.8 years
5	Jan. 12, 1996	The City submitted its second appeal to FEMA's Associate Director, Response and Recovery Directorate requesting replacement versus repair of the Ford Assembly Building at an estimated cost of \$112.4 million.	5 months	6.2 years
6	Jul. 02, 1996	FEMA's second appeal determination awarded \$13.2 million for repairs and seismic mitigation and classified the project as an "improved project".	5 months	6.6 years
7	Jan. 31, 1997	The City exercised its third appeal right.	7 months	7.2 years
8	Jul. 16, 1997	The FEMA Director's third appeal determination became effective with \$16.2 million in total approved funding.	5 months	7.6 years
9	Dec. 11, 2001	City Council Resolution 174-01 stated that the public welfare would not be best served by restoring the Ford Assembly Building or the function of that facility.	53 months	12.0 years
10	Feb. 13, 2002/ Mar. 01, 2002	The City requested that an "alternate project" be approved in lieu of repairing the Ford Assembly Building because the City could not guaranty success in restoring the Building.	3 months	12.2 years
11	Mar. 28, 2002	The Region informed the Office of Emergency Services that the City would not pursue the alternate project and that the City must complete the work before March 31, 2003.	1 month	12.3 years
12	Jul. 29, 2002	The Region approved the supplemental funding authorized by the FEMA Director on July 16, 1997 (the third appeal determination was made 5 years prior to providing the funding). According to City officials, the Region verbally informed the City that it needed only to expend approved project funding on whatever scope of work could be completed by March 31, 2003.	4 months	12.7 years
13	May 5, 2004	The Region considered the City's grant application closed.	17 months	14.4 years
14	December 2004	The City sold the land and most of the Ford Assembly Building for \$5.4 million after expending \$16.2 million in project funding.	--	--

Pages 2 through 4 of this exhibit provide additional details regarding each of the listed events. Exhibit B provides 44 CFR § 206.206 appeal provisions in effect at the time of the City's appeals.

- Event 1. The 1989 Loma Prieta Earthquake caused extensive damage to the Ford Assembly Building that was only about one third occupied at the time of the disaster. Because two thirds of the building was idle space or vacant, FEMA determined that only the occupied portion of the building was eligible for public assistance funding and estimated that eligible damage repairs would cost about \$272,000.
- Event 2. The City appealed the Region's funding determination when it forwarded appeal documentation to the Office of Emergency Services for submission to the Region. In that first appeal, the City challenged the Region's funding determination (\$272,000), arguing that the building should be completely repaired because it was part of a redevelopment plan. In the appeal, the City claimed that it had started negotiations with a developer interested in entering exclusive negotiations with the City regarding the building. The City had suspended negotiations with the developer a month before the earthquake, and was in the process of determining what to do next when the earthquake occurred. Representatives of the City assured the Office of Emergency Services that had the earthquake not occurred, further short-term rentals would have been arranged.
- Event 3. The Office of Emergency Services forwarded the City's first appeal to the Region.
- Event 4. The Region's first appeal determination resulted in the award of \$3.7 million to repair the entire building.
- Event 5. The City rejected the Region's funding proposal for complete building repairs and proposed in a second appeal to FEMA's Associate Director, Response and Recovery Directorate, a major change to the scope of work. The City proposed demolishing and replacing the Ford Assembly Building, complete with upgrades to existing codes and standards. The City claimed that based on the 50 percent rule, the Ford Assembly Building was eligible for replacement. (44 CFR § 206.226(c) states that a facility is considered repairable if the costs of the damage repairs do not exceed 50 percent of replacing the facility. The regulation implies that if the repairs cost more than 50 percent of a new facility, the new facility is warranted.) The City estimated a replacement cost of \$112.4 million that included ineligible building code upgrades, fire and life safety codes, and zoning, as well as \$21 million for a 2-story parking garage and landscaping. Repair costs were estimated at \$81.6 million.
- Event 6. FEMA's second appeal determination approved \$13.2 million for building repairs and seismic bracing (hazard mitigation), and classified the project as an improved project (44 CFR § 206.203(d)(1) defines an improved project as a funding option wherein a subgrantee (a) elects to make improvements but still restore the pre-disaster function of a damaged facility and (b) agrees that federal funding for such projects is limited to the federal share of the approved estimate of eligible costs.) FEMA's second appeal analysis did not result in wholesale improvements to the facility, as it was in disrepair at the time of the disaster. Rather, FEMA examined each area of the damaged facility

and used best estimates and FEMA guidelines to place a dollar value on eligible repairs.

- Event 7. The City exercised its regulatory third appeal rights by asking the FEMA Director to review the Associate Director's second appeal determination.
- Event 8. The FEMA Director upheld the Associate Director's decision but approved an additional \$2.3 million for disaster repair/mitigation work that was not included with the City's second appeal. This work consisted of rehabilitating two historic elevators, adding an Americans with Disabilities Act-compliant passenger elevator, and repairing the electrical system including installing new main transformers, a 15KV feeder, and conduits. Repair funding authorized as a result of the third appeal totaled \$15.5 million plus \$743,306 for earlier funded architectural and engineering costs (total project funding equaled \$16.2 million).
- Event 9. City Council Resolution 174-01 stated that the public welfare would not be best served by restoring the Ford Assembly Building or the function of that facility.
- Event 10. The City twice requested that the Ford Assembly Building repair project be discarded and that FEMA approve an alternate project (44 CFR § 206.203(d)(2) defines an alternate project as a funding option wherein a subgrantee (a) determines that the public welfare would not be best served by restoring a damaged public facility and (b) agrees that federal funding for such projects will be limited to 90 percent of the federal share of the approved estimate of eligible costs). In one of those requests, the City informed FEMA that it did not guaranty success in restoring the Ford Assembly Building. While the City informed FEMA that it would continue to pursue Ford Assembly Building rehabilitation, it indicated that the earliest a groundbreaking ceremony could occur was in early 2003. Because of these delays, the City's alternate project proposed the purchase of a building to serve as its City Hall.
- Event 11. The Region's Director of the Readiness, Response and Recovery Division informed the Office of Emergency Services that the City had decided not to pursue the alternate project. The Region also informed the Office of Emergency Services that the City had until March 31, 2003 to complete the scope of work outlined in the appeal determinations and to expend the funding.
- Event 12. The Region approved supplemental Damage Survey Report 21043 (supplemental to Damage Survey Report 78123) that added the funding and additional work approved by the FEMA Director on July 16, 1997. According to City officials, the Region verbally informed the City that it needed only to expend approved project funding on whatever scope of work could be completed by March 31, 2003. The supplemental Damage Survey Report also required that the City comply with certain conditions, one of which stated, "...The eligibility of the facility is predicated on it remaining the

legal responsibility of the subgrantee until all work approved in this Damage Survey Report is completed...” (44 CFR § 206.223(a) requires applicants to have legal responsibility for an item of work to be eligible for federal assistance). An attachment to the supplemental Damage Survey Report also provided 12 specific work items that the City needed to complete to satisfy the requirements of the grant. These 12 specific work items were included in Damage Survey Report 21043 as ‘Attachment A’. See Exhibit C of this report for the listed work.

- Event 13. The Region considered this grant application closed after it determined that the project funds totaling \$16.2 million had been expended.
- Event 14. The City sold the land and most of the Ford Assembly Building (holding onto the portion subject to coastal/environmental concerns) for \$5.4 million after expending \$16.2 million in project funding but before completing the scope of work approved in the Director’s third appeal determination.

44 CFR § 206.206 Appeal Provisions Summary

A subgrantee shall make a written appeal to the grantee within 60 days after receipt of notice of an action that is being appealed.

The grantee shall review the material/justification submitted by a subgrantee, conduct additional investigation if needed, and forward the appeal with a written recommendation to the Regional Director within 60 days of receipt.

The Regional Director shall review the material/justification submitted by the grantee and subgrantee, conduct additional investigation if needed, and notify the grantee in writing as to the disposition of the appeal or the need for additional information within 90 days of receipt. (If additional information is needed to make a determination, the Regional Director shall notify the grantee in writing of the disposition of the appeal within 90 days of receipt of the additional information).

If the Regional Director denies the first appeal, the subgrantee may submit a second appeal in writing (through the grantee and Regional Director) to the Associate Director within 60 days of the Regional Director's first appeal denial. The Associate Director shall render a determination on the subgrantee's second appeal within 90 days of receipt of the appeal or shall make a request for additional information if needed. (If additional information is needed, the Associate Director shall notify the grantee in writing of the disposition of the appeal within 90 days of receipt of the additional information). If the Associate Director grants the second appeal, the Regional Director will be instructed to take appropriate implementing action.

If the Associate Director denies the second appeal, the subgrantee may submit a third appeal in writing (through the grantee and Regional Director) to the FEMA Director within 60 days of the Associate Director's second appeal denial. The Director shall render a determination on the subgrantee's third appeal within 90 days of receipt of the appeal or shall make a request for additional information if needed. (If additional information is needed, the Director shall notify the grantee in writing of the disposition of the appeal within 90 days of receipt of the additional information). If the Director grants the third appeal, the Regional Director will be instructed to take appropriate implementing action.

Note: The City's third appeal for the Ford Assembly Building was filed in 1997. At that time, the CFR allowed three appeals for FEMA projects.

Statement of Work Attached to Damage Survey Report 21043

Damage Survey Report 21043 instructed the City to disregard the scope of work in previously approved Damage Survey Reports and to complete Ford Assembly Building Phase 1 work described in Attachment A to Damage Survey Report 21043 by March 31, 2003. Although this action decreased the scope of work approved by the FEMA Director in his third appeal determination, the Region did not decrease the approved funding commensurately.

Attachment A to Damage Survey Report 21043 states, “The scope of work is limited to the first phase of work, proposed to be completed by March 31, 2003. The first Phase work, as generally described includes; preliminary testing and evaluation, site security, abatement of hazardous materials, stabilization of the building shell and core, seismic bracing, project management, required historical preservation, environmental compliance, design, and engineering.”

“The Phase 1 scope of work includes the general work previously described and the following, specific work elements:

1. Remove and/or abate on-site hazardous materials as required by regulating agencies.
2. Removal, (sic) of the canopy and sheds along the east side of the building. The sheds are considered non-contributors in the National Register Nomination form.
3. Mothball the boiler house and oil house in accordance with the NPS Preservation Brief: Mothballing Historic Buildings, which includes stabilizing and making weather tight.
4. Earthquake damaged exterior brick masonry will be removed and reset.
5. Reconstruct south wall and parapet with masonry to match original, over lightweight metal framing.
6. Repair, reinstall, and anchor limestone parapet caps. Replace missing caps in-kind.
7. Repair the steel sash in all exterior walls and replace broken glazing.
8. Repair existing corrugated transite roof.
9. Repair existing clay tile roof over office area.
10. Replace saw-tooth monitor sash (due to poor condition) frames, with an aluminum system similar to the original, using wire glass.
11. Install a light steel cable system attached to welded steel plates for seismic stability.
12. Repair and modify fire sprinkler system as required by regulating agencies to meet Phase 1 requirements.”

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