

Department of Homeland Security **Office of Inspector General**

FEMA Public Assistance Grant Funds Awarded
to City of Atascadero, California






Homeland Security

MAR 20 2012

MEMORANDUM FOR: Nancy Ward
Regional Administrator, Region IX
Federal Emergency Management Agency

FROM: 
D. Michael Beard
Assistant Inspector General
Office of Emergency Management Oversight

SUBJECT: *FEMA Public Assistance Grant Funds Awarded to
City of Atascadero, California*
FEMA Disaster Number 1505-DR-CA
Audit Report Number DS-12-07

We audited public assistance (PA) funds awarded to the City of Atascadero, California (City) (Public Assistance Identification Number 079-03064-00). Our audit objective was to determine whether the City accounted for and expended Federal Emergency Management Agency (FEMA) grant funds according to federal regulations and FEMA guidelines.

The City received a PA award of \$26.3 million from the California Emergency Management Agency (Cal EMA),¹ a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to facilities damaged by the December 22, 2003, earthquake. The award provided 75% FEMA funding for 6 large projects and 13 small projects.² The audit covered the period from December 22, 2003, to February 23, 2012, and included a review of three large projects (one of which was completed) with a total award of \$25.9 million, or 99% of the total award (see exhibit A).

We conducted this performance audit pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective. We conducted this audit applying the statutes, regulations, and FEMA policies and guidelines in effect at the time of the disaster.

We discussed issues related to this audit with FEMA, Cal EMA, and City officials; reviewed judgmentally selected project costs (generally based on dollar value); and performed other

¹ At the time of the disaster, the grantee's name was the California Office of Emergency Services, which became a part of Cal EMA on January 1, 2009.

² Federal regulations in effect at the time of the disaster set the large project threshold at \$54,100.

procedures considered necessary to accomplish our objective. We did not assess the adequacy of the City’s internal controls applicable to grant activities because it was not necessary to accomplish our audit objective. We did, however, gain an understanding of the City’s method of accounting for disaster-related costs and its procurement policies and procedures.

RESULTS OF AUDIT

Of the \$12,853,623 in project charges we reviewed, City officials did not expend or account for \$8,014,375 (detailed below) according to federal regulations and FEMA guidelines.

Finding	Subject	Amount Questioned
A	Architecture and Engineering	\$2,980,900
B	Temporary Relocation	2,654,978
C	Replacement Building	2,377,185
D	Project Cost Accounting	1,312
Total		\$8,014,375

Finding A: Architectural and Engineering Costs

City officials plan to claim approximately \$4,106,700 in architecture, engineering, and management (A&E) costs for Project 229. However, A&E expenditures as of June 2010, in the amount of \$2,980,900, are unsupported.

Federal regulations and FEMA guidelines regarding scope of work eligibility and documentation stipulate that:

- Eligibility to receive federal funds is contingent upon having fiscal controls and accounting procedures that permit the tracing of funds sufficiently to establish that they were not used in violation of any legal restrictions, and maintaining records to adequately identify the source and application of funds provided for financially assisted activities. (44 Code of Federal Regulations (CFR) 13.20(a)(2), (b)(2))
- Costs must be adequately documented to be allowable under a federal award. (Office of Management and Budget (OMB) Circular A-87,³ Attachment A; Paragraph C.1.j)
- Work performed must derive from the project’s FEMA-approved scope to be eligible for federal funding. (FEMA Public Assistance Guide (FEMA 322), October 1999, pp. 71–73 and 115–116; and FEMA Public Assistance Applicant Handbook (FEMA 323), September 1999, pp. 17, 21–22, 32, and 52)

³ Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, in effect at the time of the disaster, was relocated to 2 CFR, Part 225, on August 31, 2005.

City officials did not comply with these criteria. They did not segregate costs associated with the FEMA-approved scope of work from non-FEMA-approved work, nor did records for expenditures support FEMA eligibility.

We therefore question \$2,980,900 as unsupported. City officials agreed that at least \$1,490,406 should not be charged to Project 229 and that, at project closeout, they would provide an accurate accounting of eligible costs to FEMA. FEMA has indicated that it has received corresponding documentation from the City, and has deemed it insufficient to support A&E costs in relation to the FEMA-approved scope of work. FEMA has told us that it will continue to work with the City to determine eligible costs.

Finding B: Temporary Relocation

City officials did not comply with federal rules, regulations, and guidelines for cost-effectiveness and reasonableness when they requested and received an excessive PA award of \$2,654,978 for Project 239 to renovate, improve, and lease a second relocation facility to use as a temporary City Hall. The City conducted this transaction on a less-than-arms-length basis; therefore, according to federal requirements, eligible PA funding for this facility was limited to depreciation costs for the years the City used it for disaster-related purposes. Further, the number of years for which the facility is depreciated should have been consistent with the City's established depreciation schedule—50 years, in this case. However, the City did not base its charges to Project 239 on depreciation, but rather on costs incurred for renovation, improvements, and lease payments. As a result, this option was not the least costly and it unreasonably increased the federal award to the City.

The following background information details the City's actions associated with its temporary relocation:

- In 1986, the Atascadero City Council established the City of Atascadero Community Redevelopment Agency (CRA).⁴ Although the CRA was a separate public body and exercised governmental functions, it was a component unit of the City, and the City was considered to be financially accountable for it.⁵
- In February 2002, before the earthquake, the developer of the Creekside Property—a property that included a bowling alley that ultimately became the second temporary City Hall in 2005—sued the City, alleging that it had significantly damaged the property as a result of negligence.

⁴ The Atascadero City Council established the CRA pursuant to California's redevelopment law in 1986. The CRA is a separate public body and exercises governmental functions, including planning and implementing redevelopment projects. However, the CRA is a component unit of the City, and the City is considered to be financially accountable for the CRA. Further, the CRA has an arrangement with the City for services, facilities, and personnel support. The City Council serves in a separate session as the governing body of the CRA.

⁵ In June 2011, the California State Legislature passed legislation that caused the elimination of all redevelopment agencies in California. In December 2011, the California Supreme Court upheld that legislation.

- In December 2003, following the earthquake that damaged the Atascadero City Hall, City officials initially leased and improved a commercial site to which they relocated City Hall functions and personnel.
- In August 2004, the City agreed to settle its lawsuit related to the Creekside Property, and later assigned its right to purchase the property to the CRA, which completed the purchase in December 2004.
- In September 2004, City officials indicated that the repairs to the Atascadero City Hall (which FEMA was funding) would not be completed until June 2009, and the City could not remain at the initial commercial site serving as the temporary City Hall because the site was scheduled for redevelopment.⁶ Thus, the City requested, and received from FEMA, additional PA funding for a second temporary relocation.
- In September 2004, approximately 2 months before the CRA’s purchase of the Creekside Property, City officials attested that converting the bowling alley at the property would be the most cost-effective and reasonable facility for its second temporary City Hall.
 - City officials responsible for managing the PA funding also held executive-level positions on the CRA.
 - The CRA ultimately purchased the Creekside Property for \$1.3 million by issuing bonds that were, in part, retired with FEMA funds.
 - Because the CRA, instead of the City, purchased the Creekside Property, FEMA was prevented from acquiring an equity interest in the property.
- The Creekside Property included a 31,436-square-foot bowling alley that required significant gutting, repairs, and other improvements to convert it to an office building that could be used as a City Hall.
 - The City used \$2.1 million in additional PA funding to renovate and convert the bowling alley into a second temporary City Hall (capital improvements).
 - In addition to requiring substantial work, the bowling alley was approximately three times larger (31,436 square feet vs. 11,946 square feet) and required approximately three times the rental costs of the initial temporary City Hall.
- In May 2005, City officials signed a 4-year lease with the CRA—at a cost of about \$1.5 million—until June 2009, when they projected that repairs to the Atascadero City Hall would be complete.
 - The lease on this second temporary City Hall was about \$31,000 per month.
 - The \$31,000 per month lease rate is based on market rental rates *after* it was improved using FEMA PA funding.
 - The City used FEMA funding to rent both temporary City Hall sites during the last 7 months that the second site was being renovated, as well as to purchase and renovate the Creekside Property.
- City officials later revised their lease projection from 4 years to 8 years, until June 2013, at a total lease cost of about \$3 million. FEMA officials approved this additional time and

⁶ Before ratifying the lease on the initial temporary City Hall site, City officials were aware that their occupancy could be of limited duration. The City ended its lease on this facility in December 2005.

funding extension in April 2011, despite their previous determination that an extension beyond October 2010 was not justified, and that costs incurred after that date would not be eligible.

- The \$3 million in lease payments for the second temporary City Hall exceeded the entire purchase price by \$1.7 million (\$3 million lease payments less \$1.3 million Creekside Property purchase price). This amount may be greater if FEMA officials approve another time and funding extension.⁷
 - FEMA officials used a 3-year timeframe for completing the restoration of the earthquake-damaged City Hall.
 - However, at the conclusion of our fieldwork—more than 6 years *after* the earthquake—the City had not started to restore City Hall.
 - In addition to the more than \$5.1 million in funding for the lease (\$3 million) and improvement (\$2.1 million) of the second temporary City Hall, FEMA will fund at least \$16 million for the renovation of City Hall.

Federal rules stipulate that when using federal funding for the temporary relocation of facilities as a result of a disaster:

- FEMA will fund only the least costly option, and the selected facilities must be reasonable, cost-effective, and temporary in nature. (FEMA 9523.3, Section 7.D)
- An applicant's actions cannot unjustifiably increase the federal award's cost. (OMB A-87; Attachment A, *Basic Guidelines*)
- FEMA is entitled to compensation for real property acquired with grant funds in the form of either payment or title. (44 CFR 13.31(c))
- Costs must be necessary and reasonable for proper and efficient performance and administration of federal awards. In determining reasonableness of a given cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary; the restraints or requirements imposed by such factors as sound business practices and arms-length bargaining; whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the federal government; and significant deviations from the established practices of the governmental unit which may unjustifiably increase the federal award's cost. (OMB A-87; Attachment A, *Basic Guidelines*)
- Rental costs under less-than-arms-length leases are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit and/or the governmental unit continued to own the property. For this purpose, a less-than-arms-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to, those between divisions of a governmental unit or governmental units under common control through common officers, directors, or members. (OMB A-87, Attachment B, Section 38.c)

⁷ FEMA has already approved three time and funding extensions, through June 2009, October 2010, and June 2013.

- Eligible costs under less-than-arms-length leases would include depreciation, but (per FEMA criteria) not utilities, maintenance, or operating costs. (OMB A-87, Attachment B, Section 38(b) and (c)⁸ and FEMA 9523.3, p. 3)

City officials did not comply with these requirements. The way they structured the transaction unjustifiably increased the federal award’s cost and precluded FEMA from funding the least costly option. Specifically:

- The federal government did not receive its entitlement to equity compensation. City officials, by arranging for the CRA instead of the City itself to purchase the property, circumvented federal regulations by not providing entitlement to FEMA to accrue equity in the property. As a result, the CRA was the singular owner of the property and retained all equity.
- This transaction was less-than-arms-length because the *same* City officials with responsibility to manage FEMA’s disaster assistance funding were executive officers of the CRA, thus creating a conflict of interest (see below).

Examples of Overlapping City and CRA Positions	
CRA Position	City Position
Executive Director	City Manager
Deputy Executive Director	Staff Member (as assigned by the Executive Director)
Secretary	City Clerk
Treasurer	Finance Director

As a result of this overlap, the transaction lacked independence because City officials were able to substantially influence or control the actions associated with the transaction. Costs incurred under less-than-arms-length transactions are eligible for federal disaster assistance funding only on a limited basis.

- Less-than-arms-length transactions are allowable only up to the amount that would be allowed had title to the property vested in the governmental unit and/or the governmental unit continued to own the property. Because City officials precluded vesting in the government the title to the property, the City is eligible to receive PA funding for only a limited amount of *depreciation* of the property/facility. This depreciation should be based on the 50-year schedule City officials assigned, and only for those years that the City used the property for disaster-related purposes. FEMA officials, despite their previous determination(s), ultimately permitted this period to be extended from June 2005 to June 2013.

Because the City enabled the CRA to purchase the Creekside Property, FEMA was prevented from acquiring an equity interest in the property, even though FEMA had indirectly funded its purchase and renovation. Moreover, this created a less-than-arms-length transaction because the same senior City officials responsible for managing FEMA’s disaster assistance funding were executive officers of the CRA. Therefore, consistent with federal regulations governing rental costs involving less-than-arms-length transactions, we determined that depreciation is the least costly option for FEMA.

⁸ For subsequent versions of OMB A-87, Attachment B, please see Section 37(b) and (c).

Consequently, we calculated the depreciation costs and prorated them based on the City's 50-year depreciation schedule, and determined that \$364,923 was eligible for PA funding (see exhibit B). Because the City received a \$3,019,901 award in PA funding for lease payments for the second temporary City Hall, we question \$2,654,978 (\$3,019,901 less \$364,923) as excessive and therefore ineligible. City officials disagreed with our finding on the basis that FEMA's funding of the second temporary City Hall implied concurrence with their actions.

Finding C: Replacement Building

City officials improperly claimed \$2,377,185 to Project 228 to replace its Printery Building (Building), a building that the Masonic Association deeded to the City for use as a recreational/youth center and rental space.⁹ This occurred because FEMA officials' estimates and calculations were based on inaccurate documentation presented to FEMA by City officials.

Specifically, City officials provided documentation to FEMA that indicated that the Building was fully occupied at the time of the earthquake. Based on that representation, and FEMA's policies concerning when to repair vs. replace a damaged building, FEMA determined that it would be cost-effective to replace instead of repair the Building. In reality, however, the Building was not completely in *active use* at the time of the earthquake, nor did the City have any evidence for how it intended to reoccupy the vacant portions of the Building.

Federal regulations at 44 CFR 206.226(k)(2) stipulate that facilities that were not in active use at the time of the disaster are eligible for federal disaster assistance only when—

- The facilities were temporarily inoperative for repairs or remodeling;
- Active use by the applicant was firmly established in an approved budget; or
- The owner can demonstrate to FEMA's satisfaction intent to begin use within a reasonable time.

Further, FEMA's *Public Assistance Guide* (FEMA 322, October 1999, pp. 20–21) requires that disaster assistance be prorated according to the percentage of the facility that was in active use at the time of a disaster.

The City did not meet these criteria. City records regarding predisaster use and future plans indicated that at the time of the earthquake—

- Only 82% of the Building was occupied:
 - 15,529 of the total 18,887 square feet were in active use.
- The remaining 18% of the Building was vacant and inactive:

⁹ The Masonic Association deeded ownership of the Printery Building to the City, while retaining a 1% interest in the Building that provided exclusive use of space within the Building. The Building usage was solely conveyed to the City as a youth center; however, the agreement allowed the City to rent space in the Building to help defray costs. The official purpose of the Building, as conveyed in corresponding legal documents, is "Recreational Center"; however, reference to the Building in City documents frequently appeared as "Youth Center."

- A business vacated the 2,062 square feet that it leased in the Building in February 2003; and
- A charitable organization vacated the 1,296 square feet of City-donated space in November 2003, after it learned of the City’s intention to return the Building to the Masonic Association.
- The City had no future plans or intentions to reoccupy the Building:
 - In 1999, the City decided to abandon efforts to renovate the Building as a youth center—the Building’s original purpose—because the City’s Park and Recreation Committee recognized that the City could not address the deteriorated condition of the Building nor upgrade the structure to meet necessary codes.
 - In 2001, the City received a State grant earmarked for the purchase of a property to be used specifically for a youth center.
 - In June 2001, the City purchased and renovated a property, which began operations as the new youth/community center.
 - In August 2003, prior to the earthquake, and in response to a June 2003 request from the Masonic Association, the City Council voted to return the Building to the Masonic Association.¹⁰
 - In September 2004, the City Council unanimously affirmed its August 2003 decision to return the significantly damaged Building to the Masonic Association. It did this while unanimously deciding to accept FEMA funding—specifically provided for the replacement of the Building—to build a youth center elsewhere.

FEMA officials did not meet federal criteria in accurately prorating disaster assistance based on the percentage of the Building that was in active use. FEMA officials used a calculation known as the 50 Percent Rule,¹¹ which requires them to consider a facility repairable or not repairable (i.e., requiring complete replacement of the facility) based on the estimated repair costs relative to 50% of the estimated replacement cost of the facility. If the damages amount to less than 50% of the cost to replace the building, then repairs on the disaster-related damages should be performed. If the cost to repair the building exceeds 50% of the cost to replace it, FEMA will obligate funding to completely replace the building.¹²

In calculating this percentage for the Printery Building, FEMA officials considered the Building fully occupied as a result of relying on inaccurate information presented by the City to FEMA—via the City-commissioned architectural engineering report of September 2004—which indicated that the first floor of the building was fully leased and occupied at the time of the earthquake. Consequently, FEMA estimated *repair* costs at \$937,103 for the entire building. FEMA then determined the replacement cost of the entire building using construction costs data,¹³ and estimated

¹⁰ The City’s Staff Report, dated August 12, 2003, indicated that—as a result of deferred maintenance—the Building required substantial repairs and renovations, as well as seismic reinforcement. The City was not able to obtain the funding needed to address these issues, thus impacting the Building’s continued use and utility.

¹¹ FEMA Disaster Assistance Policy 9524.4, *Eligibility of Facilities for Replacement under 44 CFR 206.226(d)(1)*, September 24, 1998.

¹² The 50 Percent Rule is outlined in 44 CFR 206.226(f) and the *FEMA Public Assistance Guide* (FEMA 322, October 1999, pp. 28–31).

¹³ FEMA calculated construction costs using RSMeans. RSMeans, a product line of Reed Construction Data, is a supplier of construction cost information for North America. RSMeans provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to project the cost of building construction and renovation projects.

replacement costs at \$1,848,092. Thus, the estimated repair cost of \$937,103 for the entire Building represented 51% of the \$1,848,092 estimated replacement cost. Specifically, the \$1,848,092 in estimated replacement costs becomes Part A in FEMA's Cost Estimating Format (CEF).¹⁴ Further, FEMA policy states that the City would be eligible for additional "soft costs" (such as engineering and design costs), as calculated by the CEF, Parts B through H; in this case, \$2,202,928. Therefore, unaware of the Building's actual active use, FEMA erroneously determined that it was more cost-effective to replace the Building than to repair it, and funded the project with a total adjusted replacement cost of \$4,051,020 (\$1,848,092 plus \$2,202,928).

If FEMA had correctly applied the 50 Percent Rule, the decision would have been to fund 82% of the cost to repair the Building to its predisaster condition, rather than to fund 100% of the cost to replace it. We estimate that this miscalculation cost FEMA \$2,377,185 as follows—

- Prorating costs to repair the Building based on the portion of the Building in active use at the time of the earthquake (82.22% of \$937,103 = \$770,486);
- Dividing repair costs by the replacement costs of the Building, to determine that the facility's disaster damages were less than 50%, and therefore ineligible for replacement (\$770,486 divided by \$1,848,092 = 41.69%);
- Adding the prorated cost to repair the Building (CEF Part A) to the additional reimbursable costs (CEF Parts B–H) to calculate the total eligible repair costs for the 82% of the Building that was occupied before the earthquake (\$770,486 plus \$903,349 = \$1,673,835); and
- Subtracting the eligible repair costs from FEMA's approved replacement amount to determine the excessive, ineligible funding amount (\$4,051,020 less \$1,673,835 = \$2,377,185).

We therefore question \$2,377,185 in ineligible, excessive costs. City officials agreed that the Building was not fully occupied at the time of the earthquake and that there was no intent to reoccupy. FEMA was unaware that a portion of the Building was not in active use at the time of the earthquake.

Finding D: Project Cost Accounting

City officials mistakenly charged \$1,312 in disaster costs to Project 228 that were intended for Project 229. According to 44 CFR 13.20(a)(2), the City is required to have fiscal controls and accounting procedures that permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

Because the City charged unrelated costs to Project 228, we question \$1,312 as ineligible. City officials agreed that these costs are unrelated to the FEMA-approved scope of work for Project 228 and said that they would adjust the charges to correct the error.

¹⁴ The CEF is a uniform method of estimating costs incurred across the entire spectrum of eligible work for large projects. It is a forward-pricing methodology that applies to all types of infrastructure damages resulting from a major disaster, and provides an estimate of the total eligible funding at the beginning of the project. Pages 19 and 20 of the *Cost Estimating Format for Large Project Instructional Guide* (Version 2, 1998) explain how the CEF applies to the 50 Percent Rule calculations.

RECOMMENDATIONS

We recommend that the Regional Administrator, FEMA Region IX, in coordination with Cal EMA:

Recommendation #1: Disallow \$2,980,900 (\$2,235,675 federal share) in unsupported A&E costs associated with Project 229 (finding A).

Recommendation #2: Disallow \$2,654,978 (\$1,991,234 federal share) in ineligible, excessive funding associated with the Creekside Property/second temporary City Hall for Project 239 (finding B).

Recommendation #3: Disallow \$2,377,185 (\$1,782,889 federal share) in ineligible facility replacement costs related to the Printery Building for Project 228 (finding C).

Recommendation #4: Disallow \$1,312 (\$984 federal share) in ineligible costs for Project 228 (finding D).

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

We discussed the results of our audit with City officials during our audit, and included their comments in this report, as appropriate. We provided written summaries of our findings and recommendations in advance to City, FEMA, and Cal EMA officials on January 31, 2011, and discussed them at exit conferences held with the City on February 15, 2011, FEMA on February 17, 2011, and Cal EMA on June 10, 2011. We also provided these officials updates to our findings, when applicable, and met with FEMA on February 23, 2012, to address FEMA's continued efforts at determining eligible costs pertaining to the findings in this report. City officials partially concurred with findings A and C, did not concur with finding B, and concurred with finding D. FEMA and Cal EMA officials withheld comment until after we issue our final report.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report to our website for public dissemination. Significant contributors to this report were Humberto Melara, Devin Polster, Curtis Johnson, and Arona Maiava.

Should you have questions concerning this report, please contact me at (202) 254-4100 or Humberto Melara at (510) 637-1463.

cc: Audit Liaison, FEMA Region IX
Administrator, FEMA
Audit Liaison, FEMA (Job Code G-10-045)
Audit Liaison, DHS

EXHIBIT A

**Schedule of Projects Audited
December 22, 2003, to February 23, 2012
City of Atascadero, California
FEMA Disaster Number 1505-DR-CA**

Project Number	Project Award Amount	Project Charges	Costs Questioned				Total
			A&E (Finding A)	Temporary Relocation Facility (Finding B)	Replacement Building (Finding C)	Project Cost Accounting (Finding D)	
228	\$4,204,626	\$4,199,393			\$2,377,185	\$1,312	\$2,378,497
229	15,982,956	3,691,344 ¹⁵	\$2,980,900				2,980,900
239	5,756,164	4,962,886		\$2,654,978			2,654,978
Totals:	\$25,943,746	\$12,853,623	\$2,980,900	\$2,654,978	\$2,377,185	\$1,312	\$8,014,375

EXHIBIT B

**Depreciation Schedule and Eligible Costs: Project 239
City of Atascadero, California
FEMA Disaster Number 1505-DR-CA**

Property Costs and Depreciation Schedule Based on the City-Assigned 50-Year Life Cycle				
Description	Cost	Fiscal Year (FY) Start of Depreciation	Annual Depreciation	Total Depreciation Through June 2013
Initial Property Acquired	\$751,985	2006	\$15,040	\$120,317
FY 05 Lease Make-Ready Work	278,916	2006	5,578	44,627
FY 06 Lease Make-Ready Work	486,955	2006	9,739	77,913
Stabilize Creek Bank	999,974	2008	19,999	119,997
Landscape and Irrigation	17,240	2008	345	2,069
Totals:	\$2,535,070		\$50,701	\$364,923

¹⁵ This number represents project charges as of June 30, 2010. The City had not started any permanent repair work as of October 29, 2010. Therefore, more than \$11.7 million in project funding for permanent repair and hazard mitigation remains unused.

ADDITIONAL INFORMATION AND COPIES

To obtain additional copies of this report, please call the Office of Inspector General (OIG) at (202)254-4100, fax your request to (202)254-4305, or e-mail your request to our OIG Office of Public Affairs at DHS-OIG.OfficePublicAffairs@dhs.gov. For additional information, visit our OIG website at www.oig.dhs.gov or follow us on Twitter @dhsoig.

OIG HOTLINE

To report alleged fraud, waste, abuse or mismanagement, or any other kind of criminal or noncriminal misconduct relative to Department of Homeland Security programs and operations:

- Call our Hotline at 1-800-323-8603
- Fax the complaint directly to us at (202)254-4292
- E-mail us at DHSOIGHOTLINE@dhs.gov; or
- Write to us at:
DHS Office of Inspector General/MAIL STOP 2600,
Attention: Office of Investigation - Hotline,
245 Murray Drive SW, Building 410
Washington, DC 20528

The OIG seeks to protect the identity of each writer and caller.