



May 28, 2020

**System Development Charge (SDC) Compliance
Audit – Mid-Pike Plaza Korvette Shopping Center,
Part 5, DA5238E11**

Project #20-SDC-01

A Report to:

Commissioners:

Chair, Chris Lawson
Vice Chair, T. Eloise Foster
Fausto R. Bayonet
Keith E. Bell
Howard A. Denis
Sandra L. Thompson

General Manager/CEO:

Carla A. Reid

Corporate Secretary:

Sheila R. Finlayson, Esq.

Office of the Inspector General

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 Interoffice Memorandum

TO: CHAIR LAWSON, VICE CHAIR FOSTER
 COMMISSIONER BAYONET, COMMISSIONER BELL
 COMMISSIONER DENIS, AND COMMISSIONER THOMPSON
 GENERAL MANAGER REID

THRU: ARTHUR A. ELKINS, JR., INSPECTOR GENERAL ^{DS}
 OFFICE OF THE INSPECTOR GENERAL _{AE}

THRU: MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT ^{DS}
 OFFICE OF THE INSPECTOR GENERAL _{MS}

FROM: JANE N. LEWIS, SUPERVISORY AUDITOR ^{DS}
 OFFICE OF THE INSPECTOR GENERAL _{JL}

DATE: MAY 28, 2020

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL**
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
FEDERAL REALTY INVESTMENT TRUST
MID-PIKE PLAZA KORVETTE SHOPPING CENTER (PART 5)
WSSC PROJECT NO. DA5238E11, CIP NO. S-25.5 "LOCAL SERVICE ONLY"

In accordance with Maryland Code Annotated, Public Utilities Article, § 25-405(d), System Development Charge (SDC), and Washington Suburban Sanitary Commission (WSSC) Standard Procedure (SP) ENG 04-01, SDC Applicant Credits and Reimbursements, the Office of the Inspector General (OIG) audited the Federal Realty Investment Trust (FRIT) request for reimbursement for WSSC Project No. DA5238E11 (Project). Under this contract, FRIT designed and constructed the sewer extensions located in Montgomery County, Maryland. The project meets the criteria for Local Service Only. The OIG conducted the audit in accordance with the International Standards for the Professional Practice of Internal Auditing (*Standards*).

On April 3, 2015, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits Estimate under the Agreement was **\$629,599**. Subsequently, FRIT submitted a request for reimbursement in the amount of **\$702,901**. As a result of this audit, the submitted costs were adjusted in order for the Eligible Qualified Project costs to comply with SP ENG 04-01 and the *Standards*.

As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined that the actual total eligible Qualified Project costs afforded to FRIT were **\$533,924.54**. Accordingly, FRIT is authorized to receive SDC Credits and Reimbursements up to this amount. Further,

CHAIR LAWSON, VICE CHAIR FOSTER
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this Office recommends that WSSC identifies SDC receipts available for reimbursement on a quarterly basis, and process payments to the developer as permitted under SP ENG 04-01.

Attachment

cc: Corporate Secretary, (S. Finlayson)
DGM for Operations, (J. Price)
Chief Strategy and Innovation Officer, (J. Vincent)
Development Services Division, (R. Chicca)
Permit Services Section Manager, (L. Tapia)
Development Design Section Manager, (T. Gingrich)
Development Project Manager, (B. Hall)

Attachment

**Summary of Eligible Qualified Project Costs
Contract No. DA5238E11**

Description	Requested Amount	Office of the Inspector General (OIG) Adjustment	Amount To FRIT	Notes
Design Costs	\$104,683.49	(\$29,497.68)	\$75,185.81	A
Permit Costs	\$712.00	(\$712.00)	\$0.00	B
WSSC Costs	\$91,370.56	(\$45,548.69)	\$45,821.87	C
Construction Costs	\$387,907.00	\$1.00	\$387,908.00	D
Bond Costs	\$21,658.00	(\$15,968.44)	\$5,689.56	E
Administrative Costs	\$59,184.00	(\$40,461.21)	\$18,722.79	F
Interest	\$37,386.00	(\$36,789.49)	\$596.51	G
Total	\$702,901.05	(\$168,976.51)	\$533,924.54	

NOTES

- A. The OIG allocated the requested Design Costs to reflect the CIP portion of the contract.
- B. The OIG disallowed the requested Permit Costs following Standard Procedure ENG 04-01.
- C. The OIG allocated the requested WSSC Costs to reflect the CIP portion of the contract.
- D. We allowed the requested Construction costs associated with the SDC Project following Standard Procedure ENG 04-01; though the Developer's requested total amount of \$387,907.00 did not equal the verified total of \$387,908.00. The OIG used the verified total for accuracy purposes.
- E. The OIG allowed Bond Costs following Standard Procedure ENG 04-01 and excluded non-CIP related costs.
- F. The OIG allocated the requested Administrative Costs to reflect the CIP portion of the contract.
- G. The OIG calculated Interest using WSSC's short-term interest borrowing rate, which the OIG determined at an annual average rate of .10% over the design and construction period.