

# WASHINGTON SUBURBAN SANITARY COMMISSION

## Interoffice Memorandum

**TO:** CHAIR COUNIHAN, VICE CHAIR STARKS  
COMMISSIONER AGARWAL, COMMISSIONER MANDEL,  
COMMISSIONER MILLER, AND COMMISSIONER MOORE  
INTERIM GENERAL MANAGER DANIELL

**THRU:** MAXENE M. BARDWELL, INTERNAL AUDIT MANAGER *MB*  
INTERNAL AUDIT OFFICE

**FROM:** RONG ZHAO, INTERNAL AUDITOR III *Rong Zhao*  
INTERNAL AUDIT OFFICE

**DATE:** AUGUST 7, 2009

**SUBJECT:** **INTERNAL AUDIT REPORT**  
**REVIEW OF SDC DEVELOPER CREDITS AND REIMBURSEMENTS**  
**NATIONAL HARBOR DEVELOPMENT L.L.C. (NHD)**  
**NATIONAL HARBOR, PART 6B**  
**WSSC PROJECT NO. DA3177F01**

In accordance with Article 29 § 6-113, System Development Charge (SDC), and WSSC Standard Procedure ENG 04-01, SDC Applicant Credits and Reimbursements, we audited the request of National Harbor Development L.L.C. (NHD) for reimbursement for WSSC Project No. DA3177F01. On this contract, NHD designed and constructed the extension of water and/or sewer systems located in National Harbor, Part 6B, Prince George's County, Maryland, under CIP Project Number S-45.16.

The Memorandum of Understanding (MOU) was signed on October 24, 2005. The SDC credits maximum estimate was \$620,318. NHD submitted a request of \$907,211.61 for reimbursement. As a result of our audit, we adjusted the submitted costs in order for the Eligible Qualified Project costs to be in compliance with the above WSSC guidelines.

As shown by the attached Summary of Eligible Qualified Project Costs, Internal Audit has determined that the actual total eligible Qualified Project costs are \$509,239.27. Since NHD has already received \$310,159 (50% of the maximum estimate) in SDC credits, the balance of SDC credits for NHD is \$199,080.27. In accordance with Standard Procedure ENG 04-01, WSSC will identify SDC receipts available for reimbursement on a quarterly basis and process payments to NHD.

### Attachment

cc: Corporate Secretary, (C. Bundy)  
Interim Deputy General Manager, (R. Chow)  
Development Services Group Leader, (M. Harmer/P. Robinson)  
Acting Permit Services Unit Coordinator, (L. Tapia)  
Regional Unit Coordinator, (T. Gingrich)  
Project Manager, (W. Black)

**Summary of Eligible Qualified Project Costs  
Contract No. DA3177F01**

<u>Description</u>	<u>Requested Amount</u>	<u>Internal Audit Adjustment</u>	<u>Amount To NHD</u>	<u>Notes</u>
Design	\$ 77,049.25	\$ ( 54,295.96)	\$ 22,753.29	A
Geo-Tech Costs	\$ 3,026.50	\$ (212.00)	\$ 2,814.50	B
WSSC Costs	\$ 87,931.68	\$ (49,874.64)	\$ 38,057.04	C
Construction	\$ 641,500.00	\$ (214,353.98)	\$ 427,146.02	D
Other Costs	\$ 9,803.78	\$ (4,066.60)	\$ 5,737.18	E
Administrative Costs	\$ 52,825.00	\$ (52,825.00)	\$ 0.00	F
Interest	\$ 35,075.40	\$ (22,344.16)	\$ 12,731.24	G
<b>Total</b>	<b>\$ 907,211.61</b>	<b>\$ (397,972.34)</b>	<b>\$ 509,239.27</b>	

**NOTES**

- A. The adjustment includes direct costs for non-CIP portion of the project and authorization revision. It also includes joint costs allocated to non-CIP portion of the project.
- B. The adjustment is for non-CIP geo-tech cost.
- C. The adjustment includes unallowable authorization revision fee, and WSSC review and inspection fees allocated to non-CIP portion of the project.
- D. Non-CIP construction costs are excluded.
- E. Other costs were adjusted to exclude non-CIP or unsupported costs.
- F. In response to our request for supporting documentation, NHD decided to forgo the reimbursement for administrative costs instead of providing the documentation.
- G. Interest was calculated using the annual average rate of 2.85% of WSSC's short-term construction loan for the period. NHD's submitted interest expense was calculated at 5.00%.