



COMMISSIONERS

Keith E. Bell, Chair
Howard A. Denis, Vice Chair
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GENERAL MANAGER

Carla A. Reid

IC -20201021-020973

September 9, 2021

David L. Peter
Vice President, Special Projects
Walton Global Holdings, LLC
14614 North Kierland Blvd., Suite 120
Scottsdale, AZ 85254

Re: Compliance Audit of SDC Credits and Reimbursements
WALTON WESTPHALIA DEVELOPMENT (USA), LLC and WALTON
WESTPHALIA EUROPE, LP
WESTPHALIA TOWN CENTER, PART 1
WSSC PROJECT NO. DA4599A07, CIP NO. W-84.04 AND S-27-08

Dear Mr. Peter,

Enclosed is a final copy of the compliance audit report for the System Development Charge (SDC) audit of Walton Westphalia. The report is related to your recently audited developer billings for the project referenced above. We thank you for your cooperation during this audit.

Sincerely,

DocuSigned by:

Arthur A. Elkins

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Arthur A. Elkins, Inspector General
Office of the Inspector General

Enclosure

cc: Bill Doherty, CEO of Walton
Melanie Graf, Walton Westphalia Development (USA), LLC



September 9, 2021

System Development Charge (SDC) Compliance Audit – DA4599A07, Westphalia Town Center, Part 1

Project # 21-SDC-01

A Report to:

Commissioners:

Chair, Keith Bell
Vice Chair, Howard A. Denis
Christopher Lawson
Fausto R. Bayonet
T. Eloise Foster

General Manager/CEO:

Carla A. Reid

Corporate Secretary:

Julianne Montes De Oca



**Washington Suburban
Sanitary Commission**

Office of the Inspector General

14501 Sweitzer Lane
Laurel, MD 20707
(301) 206-8300



Interoffice Memorandum

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

THRU: ARTHUR A. ELKINS, JR., INSPECTOR GENERAL
OFFICE OF THE INSPECTOR GENERAL DocuSigned by:
Arthur A. Elkins
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THRU: MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT
OFFICE OF THE INSPECTOR GENERAL DS
MB

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

DATE: SEPTEMBER 9, 2021

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
WALTON WESTPHALIA DEVELOPMENT (USA), LLC AND WALTON
WESTPHALIA EUROPE, LP
WESTPHALIA TOWN CENTER, PART 1
WSSC PROJECT NO. DA4599A07, CIP NO. W-84.04 AND S-27-08**

In accordance with Maryland Code Annotated, Public Utilities Article, (2017 Repl. Vol., 2019 Cum. Supp.), § 25-405(d), and Washington Suburban Sanitary Commission's (WSSC) Standard Procedure ENG 04-01¹, the Office of the Inspector General (OIG) audited Walton Westphalia Development (USA), LLC and Walton Westphalia Europe, LP's (Walton Westphalia) request for reimbursement of System Development Charges ("SDC") for WSSC Project No. DA4599A07. Under this contract, Walton Westphalia designed and constructed the water and sewer extension located in Prince George's County, Maryland. This project was also approved as a part of WSSC's Capital Improvements Program (CIP). The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), except for the peer review requirement.

On March 18, 2014, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits under the Agreement were **\$1,391,222**. Subsequently, Walton Westphalia submitted a request for reimbursement in the amount of **\$2,159,410.05**. As a result of this audit, the submitted costs were adjusted to comply with ENG 04-01.

¹ ENG 04-01 superseded by REG-IFSM-EC-2016-004, codified and superseded by Chapter 5.95 of the WSSC Code of Regulations (July 1, 2020).

COMMISSIONERS
GENERAL MANAGER REID
OFFICE OF THE INSPECTOR GENERAL
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
WALTON WESTPHALIA DEVELOPMENT (USA), LLC AND WALTON WESTPHALIA
EUROPE, LP
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As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined the actual total eligible Qualified Project costs afforded to Walton Westphalia are **\$1,463,428.33**. Accordingly, Walton Westphalia is authorized to receive SDC credits and reimbursements up to this amount. Further, this Office recommends that WSSC identifies SDC receipts available for reimbursement on a quarterly basis and process payments to the developer as permitted under the WSSC Code of Regulations.

Attachment

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

Attachment

**Summary of Eligible Qualified Project Costs
Contract No. DA4599A07**

Description	Requested Amount	OIG Adjustment	Amount To Walton Westphalia	Notes
Design Costs	\$183,894.59	(\$43,512.74)	\$140,381.85	A
Permits Costs	\$467,991.53	(\$423,177.91)	\$44,813.62	B
Administrative Costs	\$100,937.50	(\$100,937.50)	\$-	C
Interest Expense	\$22,469.16	\$4,526.20	\$26,995.36	D
WSSC Costs	\$109,970.00	(\$6,518.00)	\$103,452.00	E
Construction Costs	\$1,219,279.68	(\$106,888.18)	\$1,112,391.50	F
Bond Costs	\$54,867.59	(\$19,473.59)	\$35,394.00	G
TOTAL	\$2,159,410.05	(\$695,981.72)	\$1,463,428.33	

NOTES

- A. We adjusted the Design Costs in accordance with Standard Procedure ENG 04-01 by deducting the Non-CIP portion of the invoice amount.
- B. We adjusted the Permit Costs in accordance with Standard Procedure ENG 04-01 by deducting the Non-CIP portion of the requested amount.
- C. The developer did not provide appropriate documents to support the Administrative Costs.
- D. Interest is calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of **.59%** over the construction period.
- E. We adjusted the amount for WSSC Costs in accordance with ENG 04-01 by deducting the Non-CIP portion and ineligible expenses.
- F. We adjusted the Construction Costs in accordance with Standard Procedure ENG 04-01 by reimbursing 110% of the maximum agreed amount in the signed SDC agreement.
- G. We adjusted the requested Bond Costs in accordance with Standard Procedure ENG 04-01 by limiting the reimbursable amount to the maximum agreed amount of the signed agreement.