



July 28, 2020

**System Development Charge (SDC) Compliance  
Audit – Mid-Pike Plaza Corvette Shopping Center,  
Part 8, WSSC Project No. DA5238H11**

Project # 20-SDC-02

A Report to:

**Commissioners:**

Chair, Howard A. Denis  
Vice Chair, Keith E. Bell  
Fausto R. Bayonet  
T. Eloise Foster  
Chris Lawson  
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 DENIS, VICE CHAIR BELL  
COMMISSIONER BAYONET, COMMISSIONER FOSTER  
COMMISSIONER LAWSON, AND COMMISSIONER THOMPSON  
GENERAL MANAGER REID

**THRU:** ARTHUR A. ELKINS, JR., INSPECTOR GENERAL <sup>DS</sup> AE  
OFFICE OF THE INSPECTOR GENERAL

**THRU:** MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT <sup>DS</sup> MB  
OFFICE OF THE INSPECTOR GENERAL

**FROM:** JAMES A. WALL, JR., SUPERVISORY AUDITOR <sup>DS</sup> JW  
OFFICE OF THE INSPECTOR GENERAL

**DATE:** JULY 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 8)  
WSSC PROJECT NO. DA5238H11, CIP NOS. S-25.05 & S-103.16

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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) REG-IFSM-EC-2016-004, 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. DA5238H11 (Project). Under this contract, FRIT designed, and constructed sewer system extensions located in Montgomery County, Maryland approved in the Capital Improvements Programs (CIP Nos. S-25.05 & S-103.16). The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), except for the peer review requirement. Additionally, the OIG conducted the audit in accordance with the International Standards for the Professional Practice of Internal Auditing (*Standards*).

On December 21, 2016, the parties executed the SDC Credit Agreement (Agreement). The SDC credits estimate under the Agreement was **\$14,515,839**. Subsequently, FRIT submitted a request for reimbursement in the amount of **\$11,986,620.64**. As a result of this audit, the submitted costs were adjusted in order for the eligible qualified project costs to comply with SP REG-IFSM-EC-2016-004 and the *Standards*.

CHAIR DENIS, VICE CHAIR BELL  
COMMISSIONER BAYONET, COMMISSIONER FOSTER  
COMMISSIONER LAWSON, AND COMMISSIONER THOMPSON  
GENERAL MANAGER REID  
JULY 28, 2020  
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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 **\$11,532,938.95**. Accordingly, FRIT 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 SP REG-IFSM-EC-2016-004.

Attachment

cc: Corporate Secretary, (S. Finlayson)  
DGM for Operations, (J. Price)  
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. DA5238H11**

<b>Description</b>	<b>Requested Amount</b>	<b>Office of the Inspector General (OIG) Adjustment</b>	<b>Amount to FRIT</b>	<b>Notes</b>
Design Costs	\$ 547,834.53	\$ (28,448.26)	\$ 519,386.27	<b>A</b>
Permits Costs	\$ 42,715.16	\$ (8,125.16)	\$ 34,590.00	<b>A</b>
Bond Costs	\$ 163,995.00	\$ (890.00)	\$ 163,105.00	<b>A</b>
Administrative Costs	\$ 816,483.25	\$ (240,318.47)	\$ 576,164.78	<b>A</b>
WSSC Costs	\$ 1,331,807.20	\$ -	\$ 1,331,807.20	<b>B</b>
Construction Costs	\$ 8,893,048.50	\$ -	\$ 8,893,048.50	<b>C</b>
Interest Costs	\$ 190,737.00	\$ (175,899.80)	\$ 14,837.20	<b>D</b>
<b>Total</b>	<b>\$ 11,986,620.64</b>	<b>\$ (453,681.69)</b>	<b>\$ 11,532,938.95</b>	

**NOTES**

- A. The OIG examined the submitted Design Costs, Permits Costs, Bond Costs and Administrative Costs. Those costs were adjusted in accordance with Standard Procedure REG-IFSM-EC-2016-004.
- B. All WSSC Costs submitted were supported and no adjustment is necessary.
- C. All Construction Costs submitted were supported and no adjustment is necessary.
- D. The OIG calculated Interest Costs using WSSC's short-term interest borrowing rate, which the OIG determined at an annual average rate of .99% from the date of the SDC Agreement of December 21, 2016, to the substantial completion date of July 10, 2018.