The Office of the Inspector General (OIG) performed a review of two transactions applied against recently reallocated funds that were previously designated for economic development projects. The OIG, working with the CFO and Accounting Manager, has completed a review of all transactions associated with the reallocated funds applied to the Walt Whitman Bridge Painting Suspension Spans and Towers project as authorized by Summary Statement and Resolution (SS&R) DRPA-16-063 (Amendment of Schedule A (Project List) to Indenture Trust for PDP Bonds, Series A of 1999 (Bond Resolution DRPA 99-051); Authorization to Reallocate Unspent PDP Bond, Series A of 1999 Proceeds (See DRPA-99-051, DRPA-01-147, DRPA-02-042, DRPA-08-019)) and SS&R DRPA-16-064 (Authorization to Reallocate Unspent PDP Bond, Series B of 1999 Proceeds (See DRPA-99-051, DRPA-08-020). The Accounting Manager and her staff, provided the OIG with a documentation package in support of the transactions, including documentation supporting the movement of project funding, vouchers / invoices with attached support, issued DRPA checks, and associated accounting.

Objective / Scope

The purpose of this review was to assure compliance with the authorized SS&R DRPA-16-063 and SS&R DRPA-16-064. The scope of this review is limited to the total $2,992,465.38 in transferred economic development funding allocated to the Walt Whitman Bridge Painting Suspension Spans and Towers project, and $500,000 in transferred economic development funding earmarked for the cost of the PATCO Threat and Vulnerability Assessment. OIG will also follow-up on any funds previously approved...
under SS&R DRPA-14-126 for “ongoing operating expenses” associated with and reallocated from economic development projects ($500,000).

This specific review focused on the following transactions utilizing the reallocated economic development funds:

**Walt Whitman Bridge Painting Suspension Spans and Towers**

**Contract #:** WW-20-2015  
**Contractor / Engineer:** Corcon, Inc.  
3763 McCartney Road  
Lowellville, OH 44436

- **Invoice #:** 7 (WB1301)  
- **Invoice Date:** 6/10/2016  
- **Period Covered:** 4/12/16 - 5/11/16  
- **Total Payment:** $1,858,849.91  
- **Check #:** 10002143  
- **Check Date:** 7/14/16

- **Invoice #:** 8 (WB1301)  
- **Invoice Date:** 7/11/2016  
- **Period Covered:** 5/12/16 - 6/11/16  
- **Total Payment:** $1,494,466.29  
- **Check #:** 10002394  
- **Check Date:** 8/3/16

The transactions were reviewed to assure: 1) the flow of approved project funds, as well as the flow of funds within the various DRPA cash accounts, were accurate and in compliance with the associated and approved SS&Rs; 2) the transactions were properly approved and agreed with the associated invoices, the invoices were directly related to Walt Whitman Bridge painting project in compliance with the language of the associated SS&Rs, and that the associated disbursements were in agreement with the approved invoices; and 3) the associated accounting was accurately applied and consistent with the transactions.

**Background**

As background, SS&R DRPA-16-063, dated May 18, 2016, authorizes the DRPA to amend Schedule A (Project List) to the Indenture of Trust based on the Bond Resolution DRPA 99-051 adopted August 18, 1999 authorizing issuance of Port District Project Bonds, Series A of 1999 (“1999A PDP Bonds”) in order to authorize alternative, permissible, uses for a portion of the unspent Proceeds of 1999A PDP Bonds; that DRPA amend Resolution DRPA 08-019 (which reallocated proceeds of the PDP Bonds, Series A of 1999 originally allocated under DRPA 01-147 and reallocated under DRPA 02-042 ) to permit use of $2,492,465.38 of unspent proceeds of 1999A PDP Bonds to:
(a) pay the cost of a PATCO Threat & Vulnerability Assessment ($500,000.00 estimated), and,
(b) pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project, with the Excess 1999A Bond Proceeds to be allocated between these two Projects in such relative amounts and expended at such times as the Chief Executive Officer and the Chief Financial Officer, with the advice and counsel of the Authority staff, shall determine.

SS&R DRPA-16-064, dated May 18, 2016, authorized and allowed the DRPA to amend Resolution DRPA 08-020 (which reallocated proceeds of the PDP Bonds, Series B of 1999 originally allocated under DRPA 08-021) to permit use of $1.0 million of unspent proceeds of Port District Project Bonds, Series B of 1999 to pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project.

(See Attachment A - SS&R DRPA-16-063 and SS&R DRPA-16-064 for details)

Conclusion

OIG reviewed the documentation package provided by the CFO / Accounting Manager in support of the approved reallocation of economic development funding, and its approved usage, totaling $3,492,465.37. As a result of our review, OIG determined the following:

- the authorized economic development funds, valued at $2,992,465.38, were appropriately transferred from the Authority’s TD Wealth investment accounts to pay for Corcon, Inc.’s Invoice #7 ($1,858,849.91 applied) and partially fund Invoice #8 ($1,133,615.47 applied);
- the associated transactions were properly approved by DRPA management and agreed to supplied supporting documentation;
- the reallocated funds were applied to fund the disbursement associated with work performed for the Walt Whitman Bridge Painting Suspension Spans and Towers project during the period of 4/12/16 through 6/11/16;
- the associated accounting was recorded accurately, reflecting the transfer of funds and the value of the transaction; and,
- the transaction was completed in compliance with approved SS&Rs DRPA-16-063 and DRPA-16-064.

A total of $2,992,465.38 has been reallocated and disbursed, representing the total dollars allocated to the Walt Whitman Bridge Painting Suspension Spans and Towers project. A balance of $500,000 earmarked for the PATCO Threat and Vulnerability Assessment (per SS&R DRPA-16-063) remains in the Authority’s TD Wealth investment account (DRPA 1999A Project Fund) pending application to authorized transactions associated with the aforementioned PATCO Assessment. The PATCO Threat and Vulnerability Assessment is scheduled to be completed by September 2017. J. White, CFO, informed OIG that, “The $500K for the PATCO Threat Vulnerability study is still set aside for the costs, which according to the SS&R should be below $500K, and will be used to reimburse our funding account, when expenditures are processed. Any remainder, after the project is concluded, will be used for the WWB Painting Project per the resolution. These are no longer part of the economic development “pool of funds”.”
Follow-up of Prior Economic Development Funding Transfers / Usage (SS&R DRPA-14-126)
An additional $500,000 had been previously set aside for “ongoing operating expenses” for the payment of ongoing operating expenses, including, but not limited to engineering, design, planning, and professional fees that have either been incurred or are expected to be incurred and associated with ongoing economic development projects. The funds have been confirmed to reside within the Authority’s PMF Funds investment acct (Acct 121-00). According to J. White, CFO, “As per Resolution 14-126, a $500k fund was set aside for “Ongoing Operating Expenses”, “including, but not limited to, engineering, design, planning and professional fees, that have either been incurred or are expected to be incurred....”. To date, we have not charged any expenses against this fund, but intention is to begin doing so, as they arise.”

The CFO agreed to notify the Office of the Inspector General as the remaining balance of $1,000,000.00 ($500,000 / DRPA-16-063 and $500,000 / DRPA-14-126) is transferred and applied to authorized disbursements.

Thank you for your cooperation in the completion of this review.

cc: R. Boyer
J. Nash
E. DePasquale
R. Taylor
V. Madden
J. Hanson
D. DeBeaumont
ATTACHMENT A

SUMMARY STATEMENT

ITEM NO.: DRPA-16-063  SUBJECT: Amendment of Schedule A (Project List) to Indenture of Trust for PDP Bonds, Series A of 1999 (Bond Resolution DRPA 99-051); Authorization to Reallocate Unspent PDP Bond, Series A of 1999 Proceeds (See DRPA-99-051, DRPA-01-147, DRPA-02-042, DRPA 08-019)

COMMITTEE: Finance

COMMITTEE MEETING DATE: May 11, 2016

BOARD ACTION DATE: May 18, 2016

PROPOSAL: That the DRPA amend Schedule A (Project List) to the Indenture of Trust based on the Bond Resolution DRPA 99-051 adopted August 18, 1999 authorizing issuance of Port District Project Bonds, Series A of 1999 (Federally Taxable) (“1999A PDP Bonds”) in order to authorize alternative, permissible, uses for a portion of the unspent Proceeds of 1999A PDP Bonds; That DRPA amend Resolution DRPA 08-019 (which reallocated proceeds of the PDP Bonds, Series A of 1999 originally allocated under DRPA 01-147 and reallocated under DRPA 02-042 ) to permit use of $2,492,465.38 of unspent proceeds of 1999A PDP Bonds (the “Excess 1999A Bonds Proceeds”) to (a) pay the cost of a PATCO Threat & Vulnerability Assessment, and (b) to pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project, with the Excess 1999A Bond Proceeds to be allocated between these two Projects in such relative amounts and expended at such times as the Chief Executive Officer and the Chief Financial Officer, with the advice and counsel of the Authority staff, shall determine.

PURPOSE: To reallocate the Excess 1999A Bond Proceeds to (a) pay the costs of a
PATCO Threat & Vulnerability Assessment, and (b) pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project.
BACKGROUND: In August of 1999, the Authority issued its 1999A PDP Bonds for the purpose of financing the costs of certain economic development projects of the Authority. The 1999A PDP Bonds were authorized to be issued pursuant to and in accordance with the Port District Project Indenture of Trust, dated as of December 1, 1999 ("1999 PDP Indenture"), which 1999 PDP Indenture was authorized by DRPA Bond Resolution 99-051, adopted on August 18, 1999, as the same has been heretofore amended pursuant to DRPA Resolutions 01-147, 02-42 and 08-019, duly adopted on December 19, 2001, June 19, 2002 and February 20, 2008, respectively. Pursuant to the aforesaid DRPA Resolutions, a portion of the proceeds of the 1999B PDP Bonds was allocated to a Grant to BPG Land Partners VIII, LLC for infrastructure improvements for a mixed-use development project along the Delaware River waterfront in Chester, Pennsylvania pursuant to a Project Grant Agreement dated July 8, 2009 (the “Grant Agreement”). The 1999 PDP Indenture provides that 1999A Excess Bond Proceeds can be used by DRPA for any lawful purpose. The Grant Agreement has now expired and the DRPA Board, along with the staff, has identified two additional capital projects to which it believes would be in furtherance of the public goals of DRPA to apply the Excess 1999A Bond Proceeds: (a) to the payment of the costs of a proposed PATCO Threat & Vulnerability Assessment, the estimated cost of which is $500,000 (the “Threat Assessment Project”), which the Board desires to add to the DRPA 2016 Capital Project Budget; and (b) to assist in paying a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Blast Cleaning and Painting Project, the estimated design, construction and inspection costs are approximately $66,000,000 (the “Walt Whitman Bridge Painting Project”); with the Excess 1999A Bond Proceeds to be allocated between these two Projects in such relative amounts and expended at such times as the Chief Executive Officer and the Chief Financial Officer, with the advice and counsel of the Authority staff, shall determine.

In furtherance of such determination, and after careful investigation and analysis, the Board, together with staff and the Authority’s professional advisors, have determined that the addition of the Threat Assessment
SUMMARY STATEMENT
Finance 5/11/16

Amendment of Schedule A
(Project List) to Indenture of Trust for
PDP Bonds, Series A of 1999 (Bond
Resolution DRPA-99-051); Authorization to
Reallocate Unspent PDP Bond, Series A of
1999 Proceeds (See DRPA-99-051, DRPA-
01-147, DRPA 02-042, DRPA-08-019)

Project to the DRPA 2016 Capital Project Budget and the utilization of
the 1999A Excess Bond Proceeds to fund the Threat Assessment Project
and the Walt Whitman Bridge Painting Project is permitted by and in
conformity with the Compact, the Authority's Bylaws, applicable DRPA
Resolutions and the 1999 PDP Indenture and, where applicable, federal
income tax rules and regulations.

Pursuant to this Resolution, the Board now desires to authorize the
Chief Executive Officer and the Chief Financial Officer, with the advice
and counsel of Authority staff, to: (i) add the Threat Assessment Project
to the DRPA 2016 Capital Project Budget; and (ii) reallocate the 1999A
Excess Bond Proceeds (a) to the payment of the costs of the Threat
Assessment Project; and (b) to assist in paying a portion of the costs of
the Walt Whitman Bridge Painting Project. Upon adoption of this
Resolution the Chief Executive Officer will have the authority to amend
Schedule "A" to the 1999 PDP Indenture and shall immediately
thereafter deposit said amendment in the records of the Corporate
Secretary with the minutes of the Board meeting authorizing this
Resolution.

SUMMARY:
Amount: $2,492,465.38
Source of Funds: 1999A PDP Bonds
Capital Project #’s: WWB1301, New Project# for Threat Assessment
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: N/A
Other Parties Involved: Threat Assessment Vendor; Corcon, Inc.
RESOLUTION

RESOLVED: That the Board of Commissioners ("Board") hereby authorizes the Chief Executive Officer and the Chief Financial Officer (each acting with the prior approval and consent of the other) to: (i) add the proposed PATCO Threat & Vulnerability Assessment, the estimated cost of which is $500,000 (the "Threat Assessment Project"), to the DRPA 2016 Capital Project Budget; and (ii) reallocate the $2,492,465.38 of remaining proceeds of the Port District Project Bonds, Series A of 1999 (Federally Taxable) (the “Excess 1999A Bond Proceeds”) previously allocated to a Grant to BPG Land Partners VIII, LLC for infrastructure improvements for a mixed-use development project along the Delaware River waterfront in Chester, Pennsylvania pursuant to a Project Grant Agreement dated July 8, 2009, to: (a) the payment of the costs of the Threat Assessment Project; and (b) assist in paying a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Blast Cleaning and Painting Project, the estimated design, construction and inspection costs are approximately $66,000,000 (the “Walt Whitman Bridge Painting Project”); with the Excess 1999A Bond Proceeds to be allocated between these two Projects in such relative amounts and expended at such times as the Chief Executive Officer and the Chief Financial Officer, with the advice and counsel of the Authority staff, shall determine.

RESOLVED: That the Board hereby authorizes the Chief Executive Officer to amend Schedule "A" (Project List) of the Indenture of Trust, dated as of December 1, 1999 ("1999 PDP Indenture") authorized by DRPA Bond Resolution 99-051, adopted on August 18, 1999, as the same has been heretofore amended, which 1999 PDP Indenture authorized the issuance of the Port District Project Bonds, Series A of 1999 (Federally Taxable) (the “1999A Bonds”), in order to memorialize the reallocated projects authorized by this Resolution, and the Chief Executive Officer shall immediately thereafter deposit said amendment in the records of the Corporate Secretary with the minutes of the Board meeting authorizing this Resolution; and
RESOLVED: That staff be and are hereby authorized and directed to undertake all necessary and convenient actions including, but not limited to, the negotiation of forms of agreement, contracts or other similar documents, subject in each case to review and advice of Counsel, in order to provide funding to qualified entities or persons for purposes of assisting, undertaking and/or completing Threat Assessment Project and the portion of the Walt Whitman Bridge Painting Project to be finance with the Excess 1999A Bond Proceeds, all in accordance and consistent with this Resolution, the 1999 PDP Indenture, the Compact, the Authority's Bylaws, the applicable DRPA Resolutions, as amended, and in accordance with the applicable federal income tax rules and regulations; and

RESOLVED: That any agreements, contracts or other documents executed or delivered in connection with the Threat Assessment Project and the Walt Whitman Bridge Painting Project shall include appropriate protections for the Authority, as issuer of the 1999A PDP Bonds.

SUMMARY:

Amount: $2,492,465.38 from 1999A PDP Bonds
Source of Funds: 1999A PDP Bonds
Capital Project #: WWB1301, New Project# for Threat Assessment
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contracts: N/A
Other Parties Involved: Threat Assessment
SUMMARY STATEMENT

ITEM NO.: DRPA-16-064

SUBJECT: Authorization to Reallocate Unspent PDP Bond, Series B of 1999 Proceeds (See DRPA-99-051, DRPA-08-020)

COMMITTEE: Finance

COMMITTEE MEETING DATE: May 11, 2016

BOARD ACTION DATE: May 18, 2016

PROPOSAL: That DRPA amend Resolution DRPA 08-020 (which reallocated proceeds of the PDP Bonds, Series B of 1999 originally allocated under DRPA 08-021) to permit use of $1.0 million of unspent proceeds of Port District Project Bonds, Series B of 1999 to pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project.

PURPOSE: To reallocate the unspent proceeds of the PDP Bonds, Series B of 1999 to pay a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project.

BACKGROUND: In August of 1999, the Authority issued its Port District Project Bonds, Series B of 1999) ("1999B PDP Bonds") for the purpose of financing the costs of certain economic development projects of the Authority. The 1999B PDP Bonds were authorized to be issued pursuant to and in accordance with the Port District Project Indenture of Trust, dated as of December 1, 1999 ("1999 PDP Indenture"), which 1999 PDP Indenture was authorized by DRPA Bond Resolution 99-051, adopted on August 18, 1999, as the same has been heretofore amended pursuant to DRPA Resolution 08-020, duly adopted on February 20, 2008. Pursuant to such Resolution, a portion of the proceeds of the 1999A PDP Bonds was allocated to a Grant to the Philadelphia Regional Port Authority for a Delaware River dredging project (the “Dredging Project”) pursuant to a Project Grant Agreement dated December 20, 2008 (the “Grant Agreement”). The 1999B Bonds were refunded on a tax-exempt basis by the Port District Project Refunding Bonds, Series 2012 (the “2012 PDP Bonds”) issued pursuant to the Indenture of Trust dated as of December 1, 2012 (the “2012 Indenture”). The proceeds of the 1999B Bond and the earnings thereon are governed by the Compact, the laws of New Jersey and Pennsylvania, the applicable DRPA Resolutions and the 2012 Indenture. In the Tax Compliance Agreement dated as December 20, 2102 relating to the 2012 PDP Bonds, DRPA represented that the $13,492,237.11 then remaining in the 1999B Bonds Project Account of the Project Fund were “Transferred Proceeds” of the 2012 PDP Bonds
and would be applied to remaining Port District Projects. Of that sum $1,000,000 applicable to the Dredging Project has been determined to be no longer necessary for that Project because the Grant Agreement has expired (the “1999B Excess Bond Proceeds”). Under the applicable federal tax laws, rule and regulations the 1999B Excess Bond Proceeds, as “Transferred Proceeds” of the 2012 PDP Bonds may be applied to the payment of principal on the 2012 PDP Bonds or applied towards other capital projects of the DRPA. The Board, along with the staff, has identified a capital project to which it wishes to apply the Excess 1999B Bond Proceeds to paying, as soon as practicable after the date of the adoption of this Resolution by the Board, a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Blast Cleaning and Painting Project, the estimated design, construction and inspection costs are approximately $66,000,000 (the “Walt Whitman Bridge Painting Project”).

In furtherance of such determination, and after careful investigation and analysis, the Board, together with staff and the Authority's professional advisors, have determined that the utilization of the 1999B Excess Bond Proceeds to fund a portion of the costs of the Walt Whitman Bridge Painting Project is permitted by and in conformity with the Compact, the Authority's Bylaws, the 2012 Indenture and, federal income tax laws,

Pursuant to this Resolution, the Board now desires to authorize the Chief Executive Officer and the Chief Financial Officer, with the advice and counsel of Authority staff, to reallocate a portion of the 1999B Excess Bond Proceeds in the amount of $1,000,0000 to pay, as soon as practicable after the date of the adoption of this Resolution by the Board, a portion of the costs of the Walt Whitman Bridge Painting Project;
### SUMMARY

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**Authorization to Reallocate**
Unspent PDP Bond, Series B of 1999
Proceeds (See DRPA-99-051, DRPA-08-020)
RESOLUTION

RESOLVED: That the Board of Commissioners ("Board") hereby authorizes the Chief Executive Officer and the Chief Financial Officer (each acting with the prior approval and consent of the other) to reallocate unspent proceeds derived from the issuance of the Authority's Port District Project Bonds, Series B of 1999 ("1999B PDP Bonds") in the amount of $1,000,000 (the “1999B Excess Bond Proceeds”), to pay, as soon as practicable after the date of the adoption of this Resolution by the Board, a portion of the costs of the Walt Whitman Bridge Stiffening Truss, Tower and Anchorage Steel Painting Project (The "Walt Whitman Bridge Painting Project"); and

RESOLVED: That the Board hereby authorizes the Chief Executive Officer to memorialize the reallocated project authorized by this Resolution by causing this Resolution to be deposited in the records of the Corporate Secretary with the minutes of the Board meeting authorizing this Resolution; and

RESOLVED: That staff be and are hereby authorized and directed to undertake all necessary and convenient actions including, but not limited to, the negotiation of forms of agreement, contracts or other similar documents, subject in each case to review and advice of Counsel, in order to provide funding to qualified entities or persons for purposes of assisting, undertaking and/or completing the portion of the Walt Whitman Bridge Painting Project to be funded with the 1999B Excess Bond Proceeds, all in accordance and consistent with this Resolution, the Indenture of Trust dated as of December 1, 2012 pursuant to which were issued the Authority’s Port District Project Refunding Bonds, Series 2012 (the “2012 PDP Bonds”) which refunded the 1999B PDP Bonds, the Compact, the Authority's Bylaws, the applicable Authority Resolutions, as amended, and in accordance with the applicable federal income tax laws, rules and regulations; and

RESOLVED: That any agreements, contracts or other documents executed or delivered in connection with the Walt Whitman Bridge Painting Project shall include appropriate protections for the Authority, as issuer of the 2012 PDP Bonds, and to ensure the protection of the tax-exempt status of the interest on the 2012 PDP Bonds for federal income tax purposes, where applicable.
| **SUMMARY:** | **Amount:**                        | $1,000,000 |
|             | **Source of Funds:**               | 1999B PDP Bonds |
|             | **Capital Project #:**             | WWB1301 |
|             | **Operating Budget:**              | N/A |
|             | **Master Plan Status:**            | N/A |
|             | **Other Fund Sources:**            | N/A |
|             | **Duration of Contract:**          | N/A |
|             | **Other Parties Involved:**        | Corcon, Inc. |