



October 9, 2019

**System Development Charge (SDC) Compliance
Audit – Contract No. DA3326F02 Cabin Branch
Property, Part 32**

Project # 17-SDC-05

A Report to:

Commissioners:

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

General Manager/CEO:

Carla A. Reid

Corporate Secretary:

Sheila R. Finlayson, Esq.



**Washington Suburban
Sanitary Commission**

Office of the Inspector General
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WASHINGTON SUBURBAN SANITARY COMMISSION

Interoffice Memorandum

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

THRU: ARTHUR A. ELKINS, JR., INSPECTOR GENERAL *AE*
 OFFICE OF THE INSPECTOR GENERAL

THRU: MAXENE M. BARDWELL, AUDIT DIRECTOR *MB*
 OFFICE OF THE INSPECTOR GENERAL

FROM: JANE N. LEWIS, SENIOR AUDITOR *JNL*
 OFFICE OF THE INSPECTOR GENERAL

DATE: OCTOBER 9, 2019

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL**
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
CABIN BRANCH MANAGEMENT, LLC
CABIN BRANCH PROPERTY, PART 32
WSSC WATER PROJECT NO. DA3326F02, CIP NO. W-46.14

In accordance with Maryland Code Annotated, Public Utility Article, § 25-405(d), System Development Charge (SDC), and Washington Suburban Sanitary Commission (WSSC) Standard Procedure ENG 04-01, SDC Applicant Credits and Reimbursements, we audited Cabin Branch Management, LLC (Cabin Branch) request for reimbursement for WSSC Project No. DA3326F02. On this contract, Cabin Branch designed and constructed the extension of water systems located in Montgomery County, Maryland, approved in the Capital Improvements Program (CIP), No. W46-14. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards).

The SDC Credit Agreement was signed on June 2, 2015. The SDC Credits Estimate under the agreement was **\$840,653**. Cabin Branch submitted a request of **\$375,313.21** 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, we determined the actual total eligible Qualified Project costs are **\$362,004.98**. Cabin Branch is authorized to receive SDC Credits and Reimbursements up to this amount. In accordance with Standard Procedure ENG 04 01, WSSC will identify SDC receipts available for reimbursement on a quarterly basis and process payments to the developer.

Attachment

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

**Summary of Eligible Qualified Project Costs
Contract No. DA3326F02**

Description	Requested Amount	OIG Audit Adjustment	Amount To Cabin Branch	Notes
Design Costs	\$26,761.63	(\$1,511.52)	\$25,250.11	A
Permit Costs	\$400.00	\$0.00	\$400.00	B
Administrative Costs	\$0.00	\$12,227.73	\$12,227.73	C
Interest	\$0.00	\$413.46	\$413.46	D
WSSC Costs	\$57,898.72	(\$3,270.16)	\$54,628.56	E
Construction Costs	\$281,940.86	(\$15,073.74)	\$266,867.12	F
Bond Costs	\$8,312.00	(\$6,094.00)	\$2,218.00	G
Total	\$375,313.21	(\$13,308.23)	\$362,004.98	

NOTES

- A. The Design contract included CIP and Non-CIP tasks; therefore, we allowed supported costs associated to the Project in accordance with Standard Procedure ENG 04-01.
- B. The Developer included WSSC Costs and Bond Costs under Permit Costs. We reclassified those costs and allowed Permit Costs in accordance with Standard Procedure ENG 04-01.
- C. We determined the Administrative Costs based on a settlement agreement between WSSC and the Developer.
- D. Interest is calculated using WSSC's short-term interest borrowing rate, which was calculated at an annual average rate of .11% over the construction period.
- E. We reclassified WSSC Costs that the Developer included under Permit Costs. We allowed the Developer's request for Bond Costs without adjustment in accordance with Standard Procedure ENG 04-01.
- F. The Construction contract included CIP and Non-CIP tasks; and, we allowed supported costs associated to the Project in accordance with Standard Procedure ENG 04-01.
- G. We reclassified Bond Costs that the Developer included under Permit Costs. We allowed Bond Costs in accordance with Standard Procedure ENG 04-01.