



November 13, 2020

**System Development Charge (SDC) Compliance  
Audit – Rock Spring Park, Pt. 3 - WSSC Water’s  
Project No. DA5713C14 “Local Service”**

Project # 20-SDC-03

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

**Acting Corporate Secretary:**

Julianne MontesD’eOca, 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:** JANICE K. HICKS, AUDITOR <sup>DS</sup> JKH  
 OFFICE OF THE INSPECTOR GENERAL

**DATE:** NOVEMBER 13, 2020

**SUBJECT:** **OFFICE OF THE INSPECTOR GENERAL**  
**COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS**  
**RS HOMES ASSOCIATES, LLC**  
**ROCK SPRING PARK – PART 3**  
**WSSC PROJECT NO. RE: DA5713C14, CIP NP. “LOCAL SERVICE**  
**ONLY”**

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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 (SP) ENG 04-01, the Office of the Inspector General (OIG) audited RS Homes Associates, LLC request for reimbursement of System Development Charges (“SDC”) for WSSC Water’s Project No. DA5713C14. Under this contract, RS Homes Associates, LLC designed and constructed the sewer extension located in Rockville, Montgomery County, Maryland. The project meets the criteria for Local Service Only. The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), except for the peer review requirement. The OIG conducted the audit in accordance with the International Standards for the Professional Practice of Internal Auditing (*Standards*).

On September 29, 2017, the parties signed the SDC Credit Agreement (Agreement). Under this Agreement the SDC Credits were estimated to be **\$1,883,241.48**. On February 11, 2019, an amendment to the Agreement was signed. The SDC Credits Estimate under the amendment was **\$1,999,974.00**. Subsequently, RS Homes Associates, LLC submitted a request for reimbursement in the amount of **\$1,857,396.86**. As a result of this audit, the submitted costs were adjusted to be eligible for Qualified Project costs as required in SP ENG 04-01.

COMMISSIONERS  
GENERAL MANAGER REID  
OFFICE OF THE INSPECTOR GENERAL  
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS  
RS HOMES ASSOCIATES, LLC  
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As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined the actual Qualified Project costs afforded to RS Homes Associates, LLC are **\$1,604,568.58**. Thus, this Office recommends that RS Homes Associates, LLC is authorized to receive SDC credits and reimbursements up to **\$1,604,568.58**. 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 ENG 04-01.

Attachment

cc: Acting Corporate Secretary, (J. Montes De Oca)  
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, (A. Quant)

**Attachment**

**Summary of Eligible Qualified Project Costs  
Contract No. DA5713C14**

<u>Description</u>	<u>Requested Amount</u>	<u>OIG Adjustment</u>	<u>Amount to RS Homes Associates, LLC</u>	<u>Notes</u>
Design Costs	\$ 133,147.51	\$ (45,981.86)	\$ 87,165.65	A
Permit Costs	\$ 9,850.00	\$ (8,500.00)	\$ 1,350.00	B
Applicant Administrative Costs	\$ 4,849.29	\$ 0	\$ 4,849.29	C
WSSC Fees	\$ 170,893.16	\$ (2,000.00)	\$ 168,893.16	D
Construction Costs	\$ 1,513,437.42	\$ (191,324.23)	\$ 1,322,113.19	E
Bonds & Other Costs	\$ 19,761.00	\$ (4,794.00)	\$ 14,967.00	F
Interest Expense	\$ 5,458.48	\$ (228.19)	\$ 5,230.29	G
<b>Total</b>	<b>\$ 1,857,396.86</b>	<b>\$ -252,828.28</b>	<b>\$ 1,604,568.58</b>	

**NOTES**

- A. We reduced design cost to eliminate cost for agency & team meetings, meetings with owners, concept meetings, excessive digital/reprographics, water relocation and legal costs.
- B. No adjustments warranted for the submitted permit costs.
- C. No adjustments warranted for the submitted applicant administrative costs.
- D. We reduced WSSC fees to eliminate the cost for resubmission fees.
- E. We reduced the construction costs to eliminate costs for the 12-inch water relocation and costs for the 16-inch water design for the B contract.
- F. We reduced the bonds and other costs to eliminate ineligible bond costs.
- G. Interest is calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of 1.27% over the construction period.