



February 8, 2021

**Amended - System Development Charge (SDC)
Compliance Audit – Cabin Branch, Part 23, WSSC
Project No. DA5636D13, “Local Service”**

Project # 19-SDC-01

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’Oca, Esq.

Office of the Inspector General

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Interoffice Memorandum

IC – 20151118-00017737

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 ^{DS} AE
 OFFICE OF THE INSPECTOR GENERAL

THRU: MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT ^{DS} MB
 OFFICE OF THE INSPECTOR GENERAL

FROM: JANICE K. HICKS, AUDITOR ^{DS} JKH
 OFFICE OF THE INSPECTOR GENERAL

DATE: FEBRUARY 8, 2021

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL**
AMENDED - COMPLIANCE AUDIT OF SDC CREDITS AND
REIMBURSEMENTS
SEWER EXTENSION TO CABIN BRANCH, PART 23
WSSC WATER'S PROJECT NO. DA5636D13, LOCAL SERVICE ONLY

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) ENG 04-01, SDC Applicant Credits and Reimbursements, the Office of the Inspector General (OIG) audited the Cabin Branch Management, request for reimbursement for WSSC Water's Project No. DA5636D13, Part 23 (Project). Under this contract, Cabin Branch Management, LLC., designed and constructed the sewer extension located in Clarksburg, 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 June 25, 2015, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits Estimate under the Agreement was **\$368,847.00**. **However, the MOU was miscalculated and the actual amount is \$439,346.00**. Cabin Branch Management LLC submitted a request for reimbursement in the amount of **\$565,025.41**. As a result of this audit, the submitted costs were adjusted in order for the Eligible Qualified Project costs to comply with ENG 04-01 and the *Standards*.

COMMISSIONERS
GENERAL MANAGER REID
OFFICE OF THE INSPECTOR GENERAL
AMENDED - COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
SEWER EXTENSION TO CABIN BRANCH, PART 23
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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 Cabin Branch Management, LLC is **\$296,581.61**. Accordingly, Cabin Branch Management 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 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, (B. Hall)

ATTACHMENT

**Summary of Eligible Qualified Project Costs
Contract No. DA5636D13**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Cabin Branch Management LLC	Notes
Design Costs	\$ 3,906.95	\$ (1,800.00)	\$ 2,106.95	A
Geo-Tech Costs	\$ 7,015.00	\$ 0	\$ 7,015.00	B
Permit Costs	\$ 900.00	(\$450.00)	\$ 450.00	C
Administrative Costs	\$ 0	\$ 14,106.58	\$ 14,106.58	D
WSSC Fees	\$ 65,496.68	\$ (24,153.23)	\$ 41,343.45	E
Construction Costs	\$ 484,066.78	\$ (255,544.80)	\$ 228,521.98	F
Bonds & Other Costs	\$ 4,090.00	\$ (1,395.72)	\$ 2,694.28	G
Interest	\$ 0	\$ 351.46	\$ 351.46	H
Total	\$ 565,475.41	\$ (269,508.55)	\$ 296,581.61	

NOTES

- A. We adjusted the submitted Design costs to eliminate connection permits and other costs not applicable to the CIP portion of the project. The contract included CIP and Non-CIP tasks. We allocated the requested Design costs to reflect the CIP portion of the contract.
- B. No adjustments warranted for the submitted Geo-technical costs.
- C. We adjusted the submitted Permit costs to eliminate costs not applicable to the CIP project.
- D. We adjusted the Administrative costs in accordance with the policy.
- E. We adjusted the submitted WSSC fees to remove costs that were not applicable to the CIP project. The contract included CIP and Non-CIP tasks.
- F. We adjusted the submitted Construction costs to eliminate costs that are not applicable to the CIP project. The contract included CIP and Non-CIP tasks. We allocated the requested Construction costs to reflect the CIP portion of the contract.
- G. The contract included CIP and Non-CIP tasks. We allocated the requested bond & other costs to reflect the CIP portion of the contract.
- H. The OIG calculated Interest using WSSC's short-term interest borrowing rate, which the OIG determined at an annual average rate of .0015% over the design and construction period.