



September 14, 2021

**System Development Charge (SDC) Compliance
Audit – Signature Club, WSSC Project No.
DA2425G99, “Local Service”**

Project # 21-SDC-08

A Report to:

Commissioners:

Chair, Keith E. Bell
Vice Chair, Howard A. Denis
Fausto R. Bayonet
T. Eloise Foster
Chris Lawson

General Manager/CEO:

Carla A. Reid

Corporate Secretary:

Julianne MontesD’eOca, Esq.

Office of the Inspector General

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Interoffice Memorandum

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

THRU: ARTHUR A. ELKINS, JR., INSPECTOR GENERAL ^{DS} *all*
OFFICE OF THE INSPECTOR GENERAL

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

FROM: DAISY QIAN, AUDITOR ^{DS} *DQ*
OFFICE OF THE INSPECTOR GENERAL

DATE: SEPTEMBER 14, 2021

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL**
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
SIGNATURE 2016 RESIDENTIAL, LLC
SIGNATURE CLUB
WSSC PROJECT NO. DA2425G99, LOCAL SERVICE ONLY

In accordance with Maryland Code Annotated, Public Utilities Article, (2017 Repl. Vol., 2019 Cum. Supp.), § 25-405(d), and Chapter 5.95, SDC Credits and Reimbursements of the Washington Suburban Sanitary Commission's (WSSC) Code of Regulations, the Office of the Inspector General (OIG) audited Signature 2016 Residential, LLC's (Signature 2016) request for reimbursement of System Development Charges ("SDC") for WSSC Project No. DA2425G99. Under this contract, Signature 2016 designed and constructed a water extension located in Prince George's County, Maryland. The project provided "local service only," and therefore, meets the SDC requirements. The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), except for the peer review requirement.

On September 2, 2020, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits under the Agreement were **\$1,163,215.00**. Subsequently, Signature 2016 submitted a request for reimbursement in the amount of **\$1,214,108.48**. As a result of this audit, the submitted costs were adjusted to comply with Chapter 5.95 of the WSSC Code.

As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined the actual total eligible Qualified Project costs afforded to Signature 2016 are **\$907,743.61**. Accordingly, Signature 2016 is authorized to receive SDC credits and reimbursements up to this amount. Further, this Office recommends that WSSC identifies SDC

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receipts available for reimbursement on a quarterly basis, and process payments to the developer as permitted under the WSSC Code of Regulations.

Attachment

cc: Corporate Secretary, (J. MontesDeOca)
DGM for Operations, (J. Price)
Chief Strategy and Innovation Officer, (T. Allen)
Development Services Division, (R. Chicca)
Permit Services Section Manager, (L. Tapia)
Development Design Section Manager, (T. Gingrich)
Development Project Manager, (G. Watkins)

Attachment**Summary of Eligible Qualified Project Costs
Contract No. DA2425G99**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Signature 2016 Residential, LLC	Notes
Design Costs	\$ 138,272.35	\$ (34,814.21)	\$ 103,458.14	A
Geo-Tech Costs	\$ 28,995.75	\$ (13,114.10)	\$ 15,881.65	B
WSSC Costs	\$ 94,231.35	\$ (24,123.28)	\$ 70,108.07	C
Construction Costs	\$ 913,937.53	\$ (247,367.21)	\$ 666,570.32	D
Bond Costs	\$ 14,173.00	\$ (3,952.63)	\$ 10,220.37	E
Administrative Costs	\$ 0.00	\$ 39,881.52	\$ 39,881.52	F
Interest Expense	\$ 19,826.00	\$ (19,702.46)	\$ 123.54	G
Permit Costs	\$ 4,672.50	\$ (3,172.50)	\$ 1,500.00	H
TOTAL	\$ 1,214,108.48	\$ (306,364.87)	\$ 907,743.61	

NOTES

- A. The contract included CIP and Non-CIP tasks. The OIG auditor allocated the requested Design Costs to reflect the CIP portion of the contract.
- B. The OIG auditor excluded Geo-Tech Costs not directly related to the SDC Project and costs which the developer could not provide the support.
- C. The contract included CIP and Non-CIP tasks. The OIG auditor allocated the requested WSSC Costs to reflect the CIP portion of the contract. Further, the auditor excluded WSSC Costs not directly related to the SDC Project.
- D. The contract included CIP and Non-CIP tasks. The OIG Auditor allocated the requested Construction Costs to reflect the CIP portion of the contract. Additionally, the auditor eliminated costs that were not applicable to the CIP portion of the contract.
- E. The OIG auditor allocated the requested Bond Costs to reflect the CIP portion of the contract.
- F. The OIG auditor calculated the Administrative Costs in accordance with Chapter 5.95, SDC Credits and Reimbursements of the WSSC's Code of Regulations.
- G. Interest is calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of 0.07% over the construction period.
- H. The OIG auditor excluded Permit Costs not directly related to the SDC Project.