



June 15, 2022

System Development Charge (SDC) Compliance Audit – Cabin Branch, WSSC Project No. DA5636P13, Part 35

Project #21-SDC-05

A Report to:

Commissioners:

Chair, Keith Bell
Vice Chair, Howard A. Denis
Fausto R. Bayonet
T. Eloise Foster
Regina Y. Speed-Bost

General Manager/CEO:

Carla A. Reid

Corporate Secretary

Julianne M. Montes De Oca


Office of the Inspector General


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


Interoffice Memorandum

TO: CHAIR BELL, VICE CHAIR DENIS
 COMMISSIONER BAYONET, COMMISSIONER FOSTER
 COMMISSIONER SPEED-BOST AND
 GENERAL MANAGER REID

THRU: JON T. RYMER, INSPECTOR GENERAL 
 OFFICE OF THE INSPECTOR GENERAL

THRU: MAXENE M. BARDWELL, ASSISTANT INSPECTOR GENERAL FOR AUDIT 
 OFFICE OF THE INSPECTOR GENERAL

FROM: JANE N. LEWIS, SUPERVISORY AUDITOR 
 OFFICE OF THE INSPECTOR GENERAL

DATE: JUNE 15, 2022

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL
 COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
 CABIN BRACH MANAGEMENT, LLC
 CLARKSBURG AREA STAGE 3 - CABIN BRANCH SUBDIVISION, PART 35
 WSSC PROJECT NO. DA5636P13, CIP NO. W-46.14**

In accordance with Maryland Annotated Code, Public Utilities Article, (2017 Repl. Vol., 2021 Cum. Supp.), § 25-405(d), and Washington Suburban Sanitary Commission's (WSSC) Standard Procedure REG-IFSM-EC-2016-004¹, the Office of the Inspector General (OIG) audited Cabin Branch Management, LLC (Cabin Branch) request for reimbursement of System Development Charges ("SDC") for WSSC Project No. DA5636P13. Under this contract, Cabin Branch designed and constructed the water and sewer extension located in Montgomery and Prince George's Counties, Maryland. This project was also approved as a part of WSSC's Capital Improvements Program (CIP). The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), except for the peer review requirement.

On October 10, 2018, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits under the Agreement were **\$726,260.00**. Subsequently, Cabin Branch submitted a request for reimbursement of **\$626,976.90**. As a result of this audit, the submitted costs were adjusted to comply with REG-IFSM-EC-2016-004.

¹ REG-IFSM-EC-2016-004, codified and superseded by Chapter 5.95 of the WSSC Code of Regulations (July 1, 2020).

COMMISSIONERS
GENERAL MANAGER REID
OFFICE OF THE INSPECTOR GENERAL
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
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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 are **\$568,324.58**. Accordingly, Cabin Branch Management, LLC is authorized to receive SDC credits and reimbursements up to this amount. Further, this Office recommends that WSSC identify SDC receipts available for reimbursement quarterly 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)
Project Manager, (A. Atencio)

Attachment

**Summary of Eligible Qualified Project Costs
Contract No. DA5636P13**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Cabin Branch Management, LLC	Notes
Design Costs	\$ 37,750.00	(\$9,825.00)	\$27,925.00	A
Permits Costs	\$ 750.00	(\$ 750.00)	\$ 0.00	B
Administrative Costs	\$ 0.00	\$18,860.06	\$18,860.06	C
Interest Expense	\$ 0.00	\$10,605.55	\$10,605.55	D
WSSC Costs	\$97,954.12	(\$34,664.12)	\$63,290.00	E
Construction Costs	\$479,355.78	(\$42,877.81)	\$436,477.97	F
Bond Costs	\$ 11,166.00	\$ 0.00	\$11,166.00	G
TOTAL	\$626,975.90	(\$58,651.32)	\$568,324.58	H

NOTES

- A. Design Costs adjustments were in accordance with Standard Procedure REG-IFSM-EC-2016-004 by deducting the Non-CIP portion of the invoice amount.
- B. Permit Costs adjustment was in accordance with Standard Procedure REG-IFSM-EC-2016-004; the Maryland Department of the Environment waived the \$750 Permit Fee.
- 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 determined to be an annual average rate of **1.15%** over the construction period.
- E. We adjusted the amount for WSSC Costs in accordance with REG-IFSM-EC-2016-004 by deducting the Non-CIP portion and ineligible expenses.
- F. We adjusted the Construction Costs in accordance with Standard Procedure REG-IFSM-EC-2016-004 by deducting the Non-CIP portion.
- G. We adjusted the requested Bond Costs in accordance with Standard Procedure REG-IFSM-EC-2016-004 by limiting the reimbursable amount to the maximum agreed amount of the signed agreement.
- H. We adjusted the requested total amount of \$626,976.40 by \$0.50 to cater for arithmetical errors.