



February 26, 2024

**System Development Charge (SDC) Compliance Audit –
Cabin Branch, Part 60D
Project No. DA5859M15**

Project # 23-SDC-02

A Report to:

Commissioners:

Chair, Regina Y. Speed-Bost
Vice Chair, T. Eloise Foster
Fausto R. Bayonet
Howard A. Denis
Lynnette D. Espy-Williams
Mark J. Smith

General Manager/CEO:

Kishia L. Powell


Office of the Inspector General
14405 Laurel Place, Suite #300
Laurel, MD 20707
(301) 206-8300





Interoffice Memorandum

IC #20240220-122182

TO: CHAIR SPEED-BOST, VICE CHAIR FOSTER
COMMISSIONER BAYONET, COMMISSIONER DENIS,
COMMISSIONER ESPY-WILLIAMS, COMMISSIONER SMITH AND
GENERAL MANAGER/CEO POWELL

THRU: JON T. RYMER, INSPECTOR GENERAL  ^{DS}
OFFICE OF THE INSPECTOR GENERAL

DANA E. WHITING, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT  ^{DS}
OFFICE OF THE INSPECTOR GENERAL

FROM: DEE TOK, SUPERVISORY AUDITOR  ^{DS}
OFFICE OF THE INSPECTOR GENERAL

DATE: FEBRUARY 26, 2024

SUBJECT: **OFFICE OF THE INSPECTOR GENERAL**
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
CABIN BRANCH MANAGEMENT, LLC EXTENSION TO SERVE
WSSC PROJECT NO. DA5859M15, CIP NO. W-46.24

In accordance with Maryland Code Annotated, 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 (Standard Procedure), the Office of the Inspector General (OIG) audited the Cabin Branch Management, LLC's (Cabin Branch) request for reimbursement of System Development Charges (SDC) for WSSC Project No. DA5859M15, CIP No. W-46.24. Under an SDC Credit Agreement (Agreement) entered into on October 18, 2018, Cabin Branch designed and constructed a water system in Montgomery County, Maryland. The auditors conducted this audit in accordance with Generally Accepted Government Auditing Standards.

The SDC Credits under the Agreement were **\$1,167,274.00**. Subsequently, Cabin Branch submitted a request for reimbursement of **\$795,056.42**. As a result of this audit, the submitted costs were adjusted to comply with WSSC's Standard Procedure.

¹ REG-IFSM-EC-2016-004, codified and superseded by Chapter 5.95 of the WSSC Code of Regulations (July 1, 2020).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/CEO POWELL
OFFICE OF THE INSPECTOR GENERAL
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
CABIN BRANCH MANAGEMENT, LLC
WSSC PROJECT NO. DA5859M15, CIP NO. W-46.24
PAGE 2

As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined the actual total eligible Qualified Project costs afforded to Cabin Branch is **\$746,172.11**. Accordingly, Cabin Branch is authorized to receive SDC credits and reimbursements up to this amount. Further, the OIG recommends that WSSC identifies SDC receipts available for reimbursement quarterly and processes payments to the developer as permitted under WSSC's Standard Procedure.

Attachment

cc: Corporate Secretary, (J. MontesDeOca)
Chief of Staff, (C. Knight-Lee)
Performance and Accountability Director, (R. Maloney)
DGM for Operations, (A. Tesfaye)
Permit Services Section Manager, (L. Tapia)
Development Services Division Manager, (R. Chicca)
Development Services Section Manager, (T. Gingrich)
Development Services Project Manager, (A. Atencio)

Attachment

**Summary of Eligible Qualified Project Costs
Contract No. DA5859M15**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Cabin Branch Management, LLC	Notes
Design Costs	\$69,070.70	(\$2,970.00)	\$66,100.70	A
WSSC Costs	\$113,096.72	(\$16,403.72)	\$96,693.00	B
Administrative Costs	\$55,574.00	(\$24,658.57)	\$30,915.43	C
Permits Costs	\$400.00	-	\$400.00	D
Interest Expense	\$5,107.00	(\$4,852.02)	\$254.98	E
Construction Costs	\$543,512.00	-	\$543,512.00	F
Bond Costs	\$8,296.00	-	\$8,296.00	G
TOTAL	\$795,056.42	(\$48,884.31)	\$746,172.11	

NOTES

- A. The Design Costs were allocated in accordance with the Standard Procedure REG-IFSM-EC-2016-004.
- B. The WSSC Costs were allocated in accordance with WSSC's Standard Procedure REG-IFSM-EC-2016-004 by limiting the reimbursable amount to the maximum agreed amount of the signed agreement.
- C. The Administrative Costs were calculated based on a settlement agreement between WSSC and the Developer dated December 27, 2018.
- D. There was no adjustment warranted for Permit Costs.
- E. Interest was calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of **1.55%** over the construction period. The OIG adjusted the interest in accordance with WSSC's Standard Procedure.
- F. There was no adjustment warranted for Construction Costs.
- G. There was no adjustment warranted for Bond Costs.