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OFFICE OF THE INSPECTOR GENERAL

Jon T. Rymer, Inspector General

May 13, 2026

SENT VIA EMAIL

David Gadis
General Manager and CEO
District of Columbia Water and Sewer Authority
1385 Canal Street, SE, 5th Floor
Washington, DC 20003

Dear Mr. Gadis:

Pursuant to the Blue Plains Intermunicipal Agreement (IMA), the governing agreement among regional wastewater utilities that defines the rights, responsibilities, and financial obligations for the shared use, operation and management of the Blue Plains' wastewater treatment system, the Washington Suburban Sanitary Commission's (WSSC) Office of the Inspector General (OIG) performed an audit of the Fiscal Year 2020 Multi-Jurisdictional Use Facility (MJUF) bill provided by the District of Columbia Water and Sewer Authority (DC Water). The audit was conducted in accordance with the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards (GAGAS).

The OIG's objectives were as follows:

- To identify non-shareable and shareable costs;
- To obtain sufficient evidence to validate the charges and expenses in the DC Water MJUF bill;
- To examine the information for accuracy and reasonableness; and
- To issue a report on any overpayments (refunds) and underpayments (payables) for WSSC and the IMA partners.

The OIG consulted with personnel from DC Water's Financial Reporting and Billing Department during the finalization of the audit adjustments. The OIG audit team provided detailed explanations and supporting documentation and also confirmed DC Water's understanding of the methodology of adjustments.

Please find enclosed the *Statement of WSSC Audit Adjustments* for the fiscal year ended September 30, 2020, which shows a net total in overpayments by WSSC of \$132,126,88, including interest of \$20,374.00. The accompanying notes are an integral part of the *Statement of WSSC Audit Adjustments*.

The OIG appreciates the cooperation and assistance provided by DC Water's staff throughout our audit.

Sincerely,

DocuSigned by:



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Jon T. Rymer, Inspector General
Office of the Inspector General

Enclosure

cc: CEO and General Manager, (K. Powell)
General Counsel, (N. Hickson)
Chief Financial Officer, (M. Musara)
DC Water, Chief Financial Officer & EVP (Acting), (L. Oyeyemi)
DC Water, Vice President, Finance, (I. Boykin)
WSSC, Regional Water/Wastewater Manager, (J. Caudill)
WSSC, Chief Engineer, (A. Wong)



**OFFICE OF THE INSPECTOR GENERAL
LAUREL, MARYLAND**

**MULTI-JURISDICTIONAL USE FACILITIES
BILL AUDIT FY2020**



OIG PROJECT NUMBER 22-MJUF-01

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**MULTI-JURISDICTIONAL USE FACILITIES BILL AUDIT
STATEMENT OF WSSC AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

<u>Adjustment Description</u>	<u>FY 2020 Under (Over) Payment</u>
FY2020 O&M Carryover of Indirect Cost Rate, Note 2	\$ (56,904.52)
Incorrect Flow Share Data, Note 3	(340.64)
Incorrect Labor Share Data, Note 4	(22,105.72)
Error in Unrecorded WSSC Quarterly Payments, Note 5	<u>(32,402.00)</u>
Total Adjustments Before Interest	<u>\$ (111,752.88)</u>
Interest (Calculated to 4-30-26), Note 6	<u>(20,374.00)</u>
Total Adjustments Including Interest	<u>\$ (132,126.88)</u>

See the Notes to the Statement of WSSC Adjustments

**MULTI-JURISDICTIONAL USE FACILITIES BILL AUDIT
NOTES TO THE STATEMENT OF WSSC AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 – Summary of Business Relationship

According to the MJUF Operation and Maintenance Cost Share Standard Operating Procedures (the “Procedures”), DC Water is a multi-jurisdictional regional utility that distributes drinking water and collects and treats wastewater for more than 600,000 residential, commercial, and governmental customers in the District of Columbia (the District). DC Water also provides wholesale wastewater treatment services for a population of 1.6 million in Montgomery and Prince George's counties in Maryland, and Fairfax and Loudoun counties in Virginia. DC Water charges suburban jurisdictions annually for the operation and maintenance (O&M) of jointly used sewer system facilities, known as Multi-Jurisdictional Use Facilities (MJUF). The parties recognized the need to revise the methodology for calculating O&M costs, including those charged to MJUF users, and amended the Blue Plains IMA in 2012 to reflect those charges.

According to the 2015 MJUF Conveyance System MJUF Cost Allocation User Guide,

“O&M cost shares for user jurisdictions will be calculated using a combination of each jurisdiction’s average flow quantity and length of the MJUF pipe through which its flow passes. However, in order for those MJUF costs to be shared across user jurisdictions, DC Water must first identify which of its MJUF costs are associated with MJUF facilities.”

Once DC Water has completed this process, it generates and issues a quarterly bill for MJUF services based on each jurisdiction’s proportional share.

NOTE 2 – FY 2020 O&M Carryover of Indirect Cost Rate

DC Water incurs indirect costs from operating its direct services, and an indirect cost percentage is calculated for each service in the O&M bill. Indirect costs may include such costs as administrative support, utilities, maintenance oversight, and shared services, that are not tied to a single function but support multiple operations across the system. Because these costs cannot be directly assigned to a specific service, DC Water allocates them proportionally. The IMA partners share in the indirect cost based on the flow percentage attributed to each IMA partner. The same indirect cost rate is used to allocate costs for the MJUF bill. The original indirect cost rate from the FY 2020 O&M bill was 35.91%. After the FY 2020 O&M audit adjustments, the indirect cost rate was lowered to 35.31%. Based on the foregoing, WSSC overpaid the MJUF bill by \$56,904.52 for the fiscal year ended September 2020.

**MULTI-JURISDICTIONAL USE FACILITIES BILL AUDIT
NOTES TO THE STATEMENT OF WSSC AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 3 – Incorrect Flow Share Data

DC Water manages numerous sewer lines and operations on behalf of its IMA partners. The calculated cost is primarily determined by the estimated flow through those sewer lines based on the average annual flow of millions of gallons per day (MGD). The OIG audit team reviewed the calculations and related formulas and found that a calculated value for the Barnaby Branch 8th Street (Barnaby) location was missing. DC Water responded to the inquiry and recalculated the number for the Barnaby location. It was determined that WSSC overpaid its share of the cost by \$340.64 for the fiscal year ending September 30, 2020.

NOTE 4 – Incorrect Labor Share Data

DC Water has five departments that manage its sewer lines, which serve as a cost driver for all sewer operations. The cost share to IMA partners is determined by the weighted percentage of labor hours from each department and the average annual MGD from each sewer location. The OIG audit team reviewed the labor hours and the calculations. We found that the labor hours from the Potomac Interceptor department and Pump Operation departments did not correspond with the overall Dayforce labor hours by 200 hours and 19,778 hours, respectively. DC Water responded to the inquiry and made the required adjustments to the affected department's labor hours. Based on the foregoing, WSSC overpaid its share of costs by \$22,105.72 for the fiscal year ended September 30, 2020.

NOTE 5 – Error in Unrecorded WSSC Quarterly Payments

DC Water bills its IMA partners quarterly for their respective share of MJUF costs. The total payments recorded in the bill for WSSC's share was \$3,160,278. The OIG audit team reviewed the FY 2020 MJUF bill and compared WSSC's actual remittances to DC Water for the same period, and determined that DC Water did not account for all the payments by WSSC for the fiscal year ended September 30, 2020. WSSC's unrecorded payment was \$32,402.00.

NOTE 6 – Interest Calculation

According to the IMA, interest is calculated on the outstanding overpayment or underpayment amount from the date of settlement through the date the adjustments are finalized. The interest rate is based on the U.S. Federal Reserve Bank's discount rate. For this audit, the interest start date was March 30, 2021, following the close of DC Water's fiscal year, when the settlement bill is finalized, and extended to April 30, 2026, which is the approximate date the adjustments were finalized. For the fiscal year ended September 30, 2020, WSSC will receive an interest payment of \$20,374.00, with an average interest rate of 3.58%.

**MULTI-JURISDICTIONAL USE FACILITIES BILL AUDIT
NOTES TO THE STATEMENT OF WSSC AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

NOTE 7 – Subsequent Events

Remittance to IMA Partners

The OIG’s audit report represents the final examination of DC Water’s FY 2020 MJUF bill. The information contained in this audit report is accurate and supported by evidence that was properly analyzed and examined by both the OIG audit team and the DC Water Accounting staff. Notwithstanding these findings, the IMA partners and their respective management teams retain the discretion to negotiate and determine the actual payment of the final credit due to the IMA partners. The OIG does not have a role in determining the actual amount of the payment or the timing of the payments to the IMA partners. The OIG may, however, supply information or clarification to the IMA partners regarding this audit. The OIG will respond to all requests pursuant to GAGAS, other accounting standards, and related laws concerning the audit.