



September 3, 2020

**System Development Charge (SDC) Compliance
Audit – Timothy Branch, Inc., Part 6, WSSC
Water’s Project No. DA9381H92**

Project # 20-SDC-02

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’eOca, Esq.

Office of the Inspector General

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 Interoffice Memorandum

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} MS
 OFFICE OF THE INSPECTOR GENERAL

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

DATE: SEPTEMBER 3, 2020

SUBJECT: OFFICE OF THE INSPECTOR GENERAL
 COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS
 TIMOTHY BRANCH, PART 6
 WSSC WATER'S PROJECT NO. DA9381H92, CIP NO. W-120.04

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) REG-IFSM-EC-2016-004, SDC Applicant Credits and Reimbursements, the Office of the Inspector General (OIG) audited the Timothy Branch, Inc.'s, request for reimbursement for WSSC Water's Project No. DA9381H92, Part 6 (Project). Under this contract, Timothy Branch, Inc., designed and constructed the water extension located in Prince George's County, Maryland. 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 March 20, 2018, the parties executed the SDC Credit Agreement (Agreement). The SDC Credits Estimate under the Agreement was **\$1,829,942. On March 26, 2020, an amendment to the Agreement was signed. The SDC Credits Estimate under the amendment was \$2,008,206.** Subsequently, Timothy Branch, Inc., submitted a request for reimbursement in the amount of **\$1,831,000.55**. As a result of this audit, the submitted costs were adjusted in order for the Eligible Qualified Project costs to comply with SP ENG 04-01 and the *Standards*.

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 Timothy Branch, Inc., were **\$1,713,551.65**. Accordingly, Timothy Branch, Inc., 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 SP ENG 04-01.

Attachment

cc: Acting Corporate Secretary, (J. MontesD'eOca)
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. DA9381H92**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Timothy Branch Inc.	Notes
Design Costs	\$ 208,677.84		\$208,677.84	A
Permit Costs	\$ 5,910.00		\$5,910.00	B
WSSC Costs	\$ 127,616.00		\$ 127,616.00	C
Construction Costs	\$ 1,286,416.71	(\$1,081.74)	\$1,285,334.97	D
Bond Costs	\$ 23,850.00		\$23,850.00	E
Administrative Costs	\$ 32,000.00		\$32,000.00	F
Interest	\$ 146,530.00	(\$116,367.16)	\$30,162.84	G
Total	\$ 1,831,000.55	(\$117,448.90)	\$1,713,551.65	

NOTES

- A. The total Design Costs submitted were supported by evidence and no adjustment was necessary.
- B. The total Permits Costs submitted were supported by evidence and no adjustment was necessary.
- C. The total WSSC Costs submitted were supported by evidence and no adjustment was necessary.
- D. The OIG adjusted the requested Construction Costs to eliminate the duplicate cost in accordance with Standard Procedure ENG 04-01.
- E. The total Bond Costs submitted were supported by evidence and no adjustment was necessary.
- F. The total Administrative Costs submitted were supported by evidence and no adjustment was necessary.
- G. The OIG calculated Interest using WSSC's short-term interest borrowing rate, which the OIG determined at an annual average rate of .0014% over the design and construction period.