



April 18, 2024

**System Development Charge (SDC) Compliance Audit –  
Smith Home Farm, Part 1  
Project No. DA4358A06**

Project # 19-SDC-03

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


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Laurel, MD 20707  
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Interoffice Memorandum

IC #20170609-000196

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

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

**THRU:** DANA E. WHITING, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDIT  OFFICE OF THE INSPECTOR GENERAL

**FROM:** DAISY QIAN, AUDITOR  OFFICE OF THE INSPECTOR GENERAL

**DATE:** APRIL 18, 2024

**SUBJECT:** OFFICE OF THE INSPECTOR GENERAL  
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS  
SHF PROJECT OWNER, LLC  
SMITH HOME FARM, PART 1  
WSSC PROJECT NO. DA4358A06, CIP NO. W-84.03

In accordance with Maryland Annotated Code, Public Utilities Article, (2017 Repl. Vol., 2023 Cum. Supp.), § 25-405(d), and Washington Suburban Sanitary Commission's (WSSC) Standard Procedure REG-IFSM-EC-2016-004<sup>1</sup>(Standard Procedure), the Office of the Inspector General (OIG) audited SHF Project Owner, LLC's (SHF Project Owner) request for reimbursement of System Development Charges (SDC) for WSSC Project No. DA4358A06, CIP No. W-84.03. Under an SDC Credit Agreement (Agreement) entered into on November 14, 2012, SHF Project Owner designed and constructed the water extension located in the Prince George County, Maryland. The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards.

The SDC Credits under the Agreement totaled **\$575,971.91**. Subsequently, the SHF Project Owner submitted a request for reimbursement of **\$689,196.47**. As a result of this audit, the submitted costs were adjusted to comply with WSSC's Standard Procedure.

<sup>1</sup> REG-IFSM-EC-2016-004, codified and superseded by Chapter 5.95 of the WSSC Code of Regulations (July 1, 2020).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  
SHF PROJECT OWNER, LLC  
SMITH HOME FARM PART 1  
WSSC PROJECT NO. DA4358A06, CIP NO. W-84.03

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 SHF Project Owner are **\$364,933.78**. Accordingly, SHF Project Owner is authorized to receive SDC credits and reimbursements up to this amount. Further, the OIG recommends that WSSC identifies SDC receipts available for reimbursement on a quarterly and processes payment to the developer as permitted under the WSSC Standard Procedure.

Attachment

cc: Corporate Secretary, (J. Montes De Oca)  
Deputy General Manager for Operations, (A. Tesfaye)  
Performance and Accountability Director, (R. Maloney)  
Permit Services Section Manager, (L. Tapia)  
Development Services Division Manager, (R. Chicca)  
Development Services Section Manager, (F. Mejias)  
Development Services Project Manager, (A. Villarraga)

## Attachment

**Summary of Eligible Qualified Project Costs  
Contract No. DA4358A06**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To SHF Project Owner, LLC	Notes
Design Costs	\$ 29,750.00	(\$ 29,750.00)	\$ 0.00	A
Permit Costs	\$ 60,385.00	(\$ 60,385.00)	\$ 0.00	B
WSSC Fees	\$ 12,948.22	\$ 5,869.50	\$ 18,817.72	C
Construction Costs	\$ 574,634.00	(\$ 231,228.00)	\$ 343,406.00	D
Bond Costs	\$ 7,246.25	(\$ 7,246.25)	\$ 0.00	E
Interest Expense	\$ 4,233.00	(\$ 1,522.94)	\$ 2,710.06	F
<b>TOTAL</b>	\$ 689,196.47	(\$ 324,262.69)	\$ 364,933.78	

**NOTES**

- A. The Design Costs were adjusted in accordance with the Standard Procedure REG-IFSM-EC-2016-004.
- B. The Permit Costs were adjusted in accordance with the Standard Procedure REG-IFSM-EC-2016-004.
- C. The WSSC Fees included CIP and Non-CIP tasks. The OIG Auditor examined and allocated the WSSC Costs to reflect the CIP portion of the contract.
- D. The contract included CIP and Non-CIP tasks. The OIG Auditor eliminated costs that were not applicable to the CIP portion of the contract.
- E. The Bond Costs were adjusted in accordance with the Standard Procedure REG-IFSM-EC-2016-004.
- F. Interest was calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of 0.38% over the construction period. The OIG adjusted the interest in accordance with WSSC's Standard Procedure.