



August 21, 2024

**System Development Charge (SDC) Compliance Audit –  
Smith Home Farm, Part 1B  
Project No. DA4358C06**

Project # 19-SDC-04

A Report to:

**Commissioners:**

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

**General Manager/CEO:**

Kishia L. Powell

Office of the Inspector General


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Interoffice Memorandum

**TO:** CHAIR FOSTER, VICE CHAIR SMITH  
COMMISSIONER BAYONET, COMMISSIONER ESPY-WILLIAMS,  
COMMISSIONER POWELL, AND COMMISSIONER SPEED-BOST  
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:** DIGDEM (DEE) TOK, SUPERVISORY AUDITOR   
OFFICE OF THE INSPECTOR GENERAL

**DATE:** AUGUST 21, 2024

**SUBJECT: OFFICE OF THE INSPECTOR GENERAL  
COMPLIANCE AUDIT OF SDC CREDITS AND REIMBURSEMENTS  
SHF PROJECT OWNER, LLC SMITH HOME FARM, PART 1B  
WSSC PROJECT NO. DA4358C06, CIP NO. W-84.03**

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IC #20190611-020867

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-2016-004<sup>1</sup> (Standard Procedure), the Office of the Inspector General (OIG) audited SHF Project Owner, LLC’s (SHF) request for reimbursement of System Development Charges (SDC) for WSSC Project No. DA4358C06.

Under an SDC Credit Agreement (Agreement) entered into on December 24, 2013, SHF designed and constructed the water extension located in Prince George’s County, Maryland. This project was also approved as a part of WSSC’s Capital Improvements Program (CIP) in fiscal year 2014, and it was identified as CIP number W-84.03. The auditors conducted the audit in accordance with Generally Accepted Government Auditing Standards.

The SDC Credits under the Agreement totaled **\$299,026.52**. Subsequently, SHF submitted a request for reimbursement of **\$190,621.53**. As a result of this audit, the submitted costs were adjusted to comply with WSSC’s Standard Procedure.

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<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 REG-IFSM-EC-2016-004, codified and superseded by Chapter 5.95 of the WSSC Code of Regulations (July 1, 2020).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 1B  
WSSC PROJECT NO. DA4358C06, CIP NO. W-84.03  
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As reflected in the attached Summary of Eligible Qualified Project Costs, this audit determined that the total eligible Qualified Project costs afforded to SHF are **\$129,301.05**. Accordingly, SHF Project Owner, 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 WSSC's Standard Procedure.

Attachment

cc: Corporate Secretary, (J. Montes De Oca)  
Chief of Staff, (N. Hickson)  
Performance and Accountability Director, (R. Maloney)  
Deputy General Manager of Operations, (A. Tesfaye)  
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. DA4358C06**

Description	Requested Amount	Office of the Inspector General Adjustment	Amount To Smith Home Farm, LLC	Notes
Design Costs	\$22,071.00	(\$22,071.00)	0.00	A
Interest Expense	\$2,653.00	(\$2,653.00)	0.00	B
WSSC Costs (Includes WSSC Permits)	\$19,868.54	(\$7,319.49)	\$12,549.05	C
Construction Costs	\$138,589.65	(\$21,837.65)	\$116,752.00	D
Bond Costs	\$7,439.34	(\$7,439.34)	0.00	E
<b>TOTAL</b>	<b>\$190,621.53</b>	<b>(\$61,320.48)</b>	<b>\$129,301.05</b>	

**NOTES**

A. The Design Costs were adjusted in accordance with the WSSC's Standard Procedure.

B. Interest expense was calculated using WSSC's short-term interest borrowing rate, which was determined to be an annual average rate of 0.11% over the construction period. The OIG adjusted the interest in accordance with WSSC's Standard Procedure.

C. The WSSC Costs included CIP and Non-CIP tasks in the contract. These costs were allocated and any Non-CIP costs were disallowed in accordance with WSSC's Standard Procedure.

D. Construction Costs included CIP and Non-CIP tasks in the contract. These costs were allocated and any Non-CIP costs were disallowed in accordance with WSSC's Standard Procedure.

E. The Bond Costs were not submitted, and they were adjusted in accordance with WSSC's Standard Procedure.