

DEKALB COUNTY, GEORGIA



WATERSHED MANAGEMENT DEPARTMENT

AUDIT REPORT

**WATERSHED MANAGEMENT TOILET RETROFIT REBATE PROGRAM
(WM-TRRP)**

**PREPARED BY
FINANCE-INTERNAL AUDIT DIVISION**



Finance Department
Internal Audit & Licensing

**Interim Chief
Executive Officer**

Lee May

**Board of
Commissioners**

District 1

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Lee May

District 6
Kathie Gannon

District 7
Stan Watson

TRANSMITTAL MEMORANDUM

DATE: October 30, 2014
TO: Dr. James M. Chansler, Director of Watershed Management Department
FROM: Cornelia Louis, Deputy Director of Finance-Internal Audit and Licensing
SUBJECT: Audit Report – Watershed Management Toilet Retrofit Rebate Program

Attached is the report of the Watershed Management Toilet Retrofit Rebate Program. The issues raised in the report were discussed with Alicia Pennie, Public Relations Manager, during the Exit Conference on October 30, 2014.

As is customary with our audit work, we do not include the auditee's comments in our report. However, you may consider sending your comments or response directly to Gwen Brown-Patterson, Interim Chief Financial Officer/Finance Director.

We appreciate the cooperation and assistance received from the Watershed Management Department staff during the course of this review. If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,


Cornelia Louis

cc: Zachary L. Williams, Chief Operating Officer/Executive Assistant
Gwen Brown-Patterson, Interim Chief Financial Officer/Finance Director
Morris Williams, Deputy Chief Operating Officer for Infrastructure
Calvin C. Hicks, Jr., Chief Appraiser
Alicia Pennie, Public Relations Manager
Claudette F. Leak, Administrative Project Manager

CL/KRW

TABLE OF CONTENTS

GENERAL INFORMATION.....	1-3
PROGRAM BACKGROUND.....	1
PROGRAM GUIDELINES	1
PROGRAM FUNDING.....	2
PROGRAM STANDARD OPERATING PROCEDURES (SOPs).....	2
AUDIT PURPOSE.....	3
AUDIT SCOPE	3
TESTING FOR COMPLIANCE.....	4-10
INITIAL TESTING – PHASE 1	4
SECONDARY TESTING – PHASE 2	4-5
TERTIARY TESTING – PHASE 3	5-10
CONCLUSION	10
OBSERVATIONS, COMMENT & RECOMMENDATIONS.....	10-11

GENERAL INFORMATION

Program Background

“On January 8, 2008, the Board of Commissioners approved a resolution creating a toilet rebate program to encourage replacement of inefficient toilets with water conserving toilets in DeKalb County. The program provides \$100.00 rebate to customers who purchase and install a High Efficiency Toilet that has received EPA WaterSense labeling (1.28 gallons per flush) and a \$50.00 rebate to customers who purchase and install a low flow toilet with capacity of 1.6 gallons per flush. Rebates are in form of a check to the property owner and are capped at three (3) per household.

The toilet rebate program is only available to individually metered single-family residential and individually metered multi-family residential DeKalb County water and sewer customers whose homes were constructed before January 1, 1993...”¹

Program Guidelines

To be eligible for the Watershed Management Retrofit Rebate Program (WM-TRRP) applicants must adhere to the following guidelines:

1. Active DeKalb County water customers.
2. Homes must be built prior to 1993.
3. Toilets must have been installed prior to 1993.
4. Toilets must be installed in a DeKalb County property that is an individually metered residential dwelling or individually metered multi-family residential dwelling.
5. Limit of replacing three (3) toilets per household. The number of toilets will be verified through property tax records.
6. Old toilets cannot be reused. Participants agree to dispose of their old toilets.
7. Program subject to on-site verification of the purchase and installation of the product.
8. The toilet must be part of the list of eligible toilets.
9. A rebate of \$50 will be given for an approved 1.6 gallons per flush (gpf) toilet.
A rebate of \$100 will be given for an approved 1.28 gallons per flush (gpf) toilet.
10. Tanks and bowls cannot be mixed and matched from different models.
11. Submit a completed signed application and original sales receipt to Watershed Management (WM).
12. The application and original sales receipt(s) must be received by DeKalb County Watershed Management within sixty (60) days of purchase.
13. Rebate checks will be mailed within sixty (60) days and made payable to the property owner.

¹Verbiage obtained from Board of Commissioners Business Agenda/Minutes dated December 7, 2010.

Program Funding

The Watershed Management Toilet Retrofit Rebate Program (WM-TRRP) is being funded through Watershed Management's (WM) annual budget, which is subject to annual budgeted funding amounts. WM is supported with the County's Enterprise fund, monies collected for services provided to the public on a user charge basis. The annual funding amounts for the program are:

YEAR	PROGRAM FUNDING
2008	\$500,000.00
2009	\$375,000.00
2010	\$363,863.00
2011	\$380,099.00
2012	\$400,000.00

Program Standard Operating Procedures (SOPs)*

**It should be noted that since the commencement of this audit, Watershed Management (WM) has updated the SOPs of the rebate program. This audit is based upon the applicable SOPs (presumed to be 2008/2009) in effect during the audit period.*

The SOPs of the WM-TRRP are:

1. Daily collect and date stamp incoming mail (to comply with 60-day deadline).
2. Print "Property Tax Records" from INDEKALB (DeKalb County's Intranet) for each application's installation address.
 - a. This is to validate proof of ownership
 - b. Single family residency
 - c. Year home was built
 - d. Number of bathrooms/toilets in home.
3. Validate current, individually metered, water account with "Customer Number" using CPAK (current software used for billing of Water & Sewer accounts).
4. Check the receipts to make sure:
 - a. They are original receipts
 - b. Submitted within 60 days of the purchase date
 - c. The toilet purchased is an approved model number.
5. Assign the completed application and supporting documents a coversheet showing the applicant's name and account number (consists of the water account number and the sequential order of when the application was processed).
6. Gather the processed applications for data entry. Fill in all the fields of the database...include any notes...the database will automatically apply the consecutive number.
7. Once all applications have entered, save or close out the batch. This will generate an Excel spreadsheet to be sent to the Toilet Rebate Recipients list created in Outlook.
8. ...supply (the Program Manager) with a program status report...found in the rebate database.
9. All unacceptable applications "Returns" are to be returned to the citizen with a cover letter explaining why the application was unacceptable...Be as detailed as necessary. Citizen must re-submit "completed" applications within 60 days the purchase date.

Audit Purpose

The purpose of this audit is to ensure if Watershed Management was compliance with the Watershed Management Toilet Retrofit Rebate Program guidelines set forth when the program commenced in January 2008.

Audit Scope

Our audit covered the period from January 2008 through September 2012. We reviewed program guidelines, Standard Operating Procedures (SOPs), hardcopy information related to the program such as rebate applications, purchase receipts, and property tax records. We also reviewed information from the WM Toilet Retrofit Rebate Database, Oracle records, and any associated correspondence and documentation as it relates to the WM-Toilet Retrofit Rebate Program (WM-TRRP).

Our review was conducted in accordance with Generally Accepted Auditing Standards and included such tests of records and other auditing procedures as were considered necessary under the circumstances.

TESTING FOR COMPLIANCE

Internal Audit (IA) conducted three (3) levels of testing to ensure adherence to the WM-TRRP guidelines. We requested all rebates issued from January 2008 through September 2012. The result was a total of 11,609 rebates issued. The table below outlines the number of rebates issued during the audit period.

Year	Audit Period Total Rebates (per year)	Percentage of Total Rebates to Total Population (per year)
2008	3,152	27.15%
2009	2,978	25.65%
2010	2,163	18.63%
2011	1,986	17.11%
2012*	1,330	11.46%
Total*	11,609	100.00%

**Rebates issued through September 2012*

Initial Testing – Phase 1

IA conducted initial testing of the total number of rebates issued during the audit period by examining various general parameters such as: rebate amounts, multiple rebates issued to the same property owner, and the address of issued rebates. The general parameters are based on program guidelines, however rebates issued which are outside of the general parameters is not an indication that program guidelines were violated. These rebates, without further research and based upon initial information provided by Watershed Management (WM), prompted IA to conduct additional testing.

Testing Results – Phase 1 Testing:

Total Sample Size Population	Rebates within General Initial Parameters	Percentage to Total Sample Size	Rebates outside of General Initial Parameters	Percentage to Total Sample Size
11,609	8,749	75.36%	2,860	24.64%

Secondary Testing – Phase 2

In conducting our 2nd phase of testing, our sample size consisted of a total record count of 1,100 rebates. Our sample size was derived from the initial testing of rebates which we found to be outside of initial parameters. We compared the database information for those rebates against property tax records.

Through property tax records, we first verified that each rebate issued is for a single family dwelling or singularly metered property. We then looked at the year the home was built, as well as the number of bathrooms listed in each home. Finally, we compared the number of bathrooms listed in the home to the amount of the rebate issued to presume validity.

There is an undetermined margin of error using this methodology because the property tax records may not be up to date. However, WM uses property tax records as part of the SOPs to approve rebate applications.

Testing Results – Phase 2 Testing:

Total Sample Size Population	Guideline Violation on Yr. Home Built	Percentage to Total Sample Size	Guideline Violation on # of Listed Bathrooms	Percentage to Total Sample Size
1,100	10	.91%	125	11.36%

Based on property tax records, IA found 10 (or .91%) guideline violations out of the total sample size population of 1,100 where-by the date the home was built is listed as being after 1993. Within the same sample size population, we also found 125 (or 11.36%) guideline violations as it pertains to the number of bathrooms, per property, which can be rebated according to tax records. The primary reason for the violations is that rebated amounts are greater than the calculated amounts for the number of bathrooms listed. Presumably, these are guideline violations. However, the violations were not substantiated by conducting further research or verified against Oracle records to determine the amount of the actual rebate issued. These violations are based solely on testing database information against property tax records. Our primary purpose for this phase of testing was to assess the reliability of the information in the database, since this is the primary reporting source for the toilet retrofit rebate program.

Tertiary Testing – Phase 3

IA conducted a 3rd phase of testing on rebates issued from January 2008 through September 2012. Rebate data was compared to hardcopy records (rebate applications, receipts, and other correspondence) and Oracle information. For this phase of testing we focused on specific parameters, by which to compare the rebate database information to hardcopy data. Testing parameters serve as a basis for IA to conduct further research to ensure that WM-TRRP guidelines are not being violated. These testing parameters, as listed below, may or may not be one of the WM-TRRP guidelines:

Phase 3 - Test # 1 – Testing sample created from rebates based upon the following:

- Single rebates issued greater than \$300.
- Multiple rebates issued to a single owner totaling more than \$300.

Sample Size Population – 154 Rebates

Parameters Tested – 5 total

- a. Rebates issued to homes built prior to 1993 (based on application data).
- b. Replaced more than 3 toilets (based on application data).
- c. Application Refund > \$300 (based on both database & application data).
- d. Database refund matches application refund matches Oracle refund (comparison of refunds database to application, verified through Oracle).
- e. Number of Toilets Replaced > # of eligible bathrooms (based on application data).

Grand total of 770 possible violations/no violations for all rebates tested based upon parameters (a) through (e).

Grand total of 770 possible violations equates to 154 rebates times 5 testing parameters.

Tertiary Testing – Phase 3 (continued)

Phase 3 - Test # 1

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 154 rebates

Number of Parameters Tested – 5 - (a) through (e)

Grand Total - 770 (violations/no violations)

No Violation of Parameters (a) through (e)	Percentage to Total (No Violation)	Violation of Parameters (a) through (e)	Percentage to Total (Violation)
668	86.75%	102	13.25%

IA found that the percentage of overall parameter violations (102 or 13.25%) is primarily due to: Parameter B, the number of toilets replaced is greater than three (3); Parameter D, the rebated amounts differed between the database, the application, and/or Oracle; and Parameter E, the number of toilets replaced is greater than the number of bathrooms. Violations of these parameters prompted IA to conduct further research to determine if the rebate issued conflicted with program guidelines. In most cases we found that the rebate issued fell within program guidelines.

Phase 3 - Test # 2 – Testing sample created from rebates based upon the following:

- Rebates issued outside the state of Georgia.
- Rebates issued to PO Box addresses.
- Rebates issued to the same PO Box address, with a different name of ownership for each rebate issued.
- Rebates issued to addresses outside of DeKalb County (incorporated & unincorporated).

Sample Size Population – 170 Rebates

Parameters Tested – 5 total

- a. Rebates issued to homes built prior to 1993 (based on application data).
- b. Replaced more than 3 toilets (based on application data).
- c. Application Refund > \$300 (based on both database & application data).
- d. Database refund matches application refund matches Oracle refund (comparison of refunds database to application, verified through Oracle).
- e. Number of Toilets Replaced > # of eligible bathrooms (based on application data).

Grand total of 850 possible violations/no violations for all rebates tested based upon parameters (a) through (e).

Grand total of 850 possible violations equates to 170 rebates times 5 testing parameters.

Tertiary Testing – Phase 3 (continued)

Phase 3 - Test # 2

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 170 rebates

Number of Parameters Tested – 5 - (a) through (e)

Grand Total - 850 (violations/no violations)

No Violation of Parameters (a) through (e)	Percentage to Total (No Violation)	Violation of Parameters (a) through (e)	Percentage to Total (Violation)
825	97.06%	25	2.94%

IA found that the percentage of overall parameter violations (25 or 2.94%) is primarily due to: Parameter D, the rebated amounts differed between the database, the application, and/or Oracle. Violations of these parameters prompted IA to conduct further research to determine if the rebate issued conflicted with program guidelines. In most instances, the rebated amounts were validated from Oracle records, and found to fall within program guidelines.

Phase 3 - Test # 3 – Testing sample created from rebates based upon the following:

- Rebates issued within all initial guidelines of the rebate program.

Sample Size Population – 87 Rebates

Parameters Tested – 5 total

- a. Rebates issued to homes built prior to 1993 (based on application data).
- b. Replaced more than 3 toilets (based on application data).
- c. Application Refund > \$300 (based on both database & application data).
- d. Database refund matches application refund matches Oracle refund (comparison of refunds database to application, verified through Oracle).
- e. Number of Toilets Replaced > # of eligible bathrooms (based on application data).

Grand total of 435 possible violations/no violations for all rebates tested based upon parameters (a) through (e).

Grand total of 435 possible violations equates to 87 rebates times 5 testing parameters.

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 87 rebates

Number of Parameters Tested – 5 - (a) through (e)

Grand Total - 435 (violations/no violations)

No Violation of Parameters (a) through (e)	Percentage to Total (No Violation)	Violation of Parameters (a) through (e)	Percentage to Total (Violation)
423	97.24%	12	2.76%

Tertiary Testing – Phase 3 (continued)

Phase 3 - Test # 3

Testing Results*:

IA found that the percentage of overall parameter violations (12 or 2.76%) is primarily due to: Parameter B, the number of toilets replaced is greater than three; Parameter D, the rebated amounts differed between the database, the application, and/or Oracle; and Parameter E, the number of toilets replaced is greater than the number of bathrooms. Violations of these testing parameters prompted IA to conduct further research to determine if the rebate issued conflicted with program guidelines. In most cases we found that the rebate issued fell within program guidelines.

Phase 3 - Test # 4 – Testing sample created from rebates based upon the following:

- IA randomly selected samples from hard-copy data/applications housed at Watershed Management, while conducting fieldwork.

Sample Size Population – 100 Rebates

Parameters Tested – 3 total

- a. Rebates issued to homes built prior to 1993 (based on application data).
- b. Application Refund > \$300 (based on both database & application data).
- c. Number of Toilets Replaced > # of eligible bathrooms (based on application data).

Grand total of 300 possible violations/no violations for all rebates tested based upon parameters (a) through (c).

Grand total of 300 possible violations equates to 100 rebates times 3 testing parameters.

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 100 rebates

Number of Parameters Tested – 3 - (a) through (c)

Grand Total - 300 (violations/no violations)

No Violation of Parameters (a) through (c)	Percentage to Total (No Violation)	Violation of Parameters (a) through (c)	Percentage to Total (Violation)
299	99.67%	1	.33%

In Phase 3-Test #4, IA found only one (1 or .33%) instance of a testing parameter violation, Parameter C, where-by the number of toilets replaced is greater than the number of bathrooms. We conducted further research and found that although the number of denoted toilets is over the maximum amount, per program guidelines, the rebate issued was only for the maximum amount of 3 toilets or \$300.00.

Phase 3 - Test # 5 – Testing sample created from rebates based upon the following:

- Verification of install address based on duplicate names downloaded from the WM Toilet Rebate Database.

Sample Size Population – 341 Rebates

Tertiary Testing – Phase 3 (continued)

Phase 3 - Test # 5

Parameters Tested – 2 total

- a. Rebates issued to homes built prior to 1993 (based on application data).
- b. Replaced more than 3 toilets (based on application data).

Grand total of 682 possible violations/no violations for all rebates tested based upon parameters (a) and (b).

Grand total of 682 possible violations equates to 341 rebates times 2 testing parameters.

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 341 rebates

Number of Parameters Tested – 2 - (a) and (b)

Grand Total - 682 (violations/no violations)

No Violation of Parameters (a) & (b)	Percentage to Total (No Violation)	Violation of Parameters (a) & (b)	Percentage to Total (Violation)
661	96.92%	21	3.08%

Phase 3 - Test #5, shows that all 21 (3.08%) parameter violations fell under Parameter B, applications denotes that more than 3 toilets were replaced. After further research, we found that only four (4) rebates were actual violations. In each case, a duplicate payment was made for the same property address, but processed under different WM generated invoice numbers.

Phase 3 - Test # 6 – Testing sample created from rebates based upon the following:

- Testing sample created from duplicate names with multiple rebates greater than \$300.

Sample Size Population – 118 Rebates

Parameters Tested – Independent parameter was used for testing.

- a. Reviewed and compared rebate database information against rebate information obtained from Oracle.

Grand total of 118 possible violations/no violations for all rebates tested based upon single individual parameter.

Grand total of 118 possible violations equates to 118 rebates times 1 testing parameter.

Testing Results*:

**Results shown are a summation of the number of rebates tested, the parameters tested, and the percentages of violations/no violations to the grand total.*

Total Sample Size Population – 118 rebates

Number of Parameters Tested – 1

Grand Total - 118 (violations/no violations)

No Violation of Parameter	Percentage to Total (No Violation)	Violation of Parameter	Percentage to Total (Violation)	Other*	Percentage to Total (Other)
102	86.44%	11	9.32%	5	4.24%

**Other – Based on the information obtained. IA was unable to verify whether or not the rebate issued violated guidelines.*

Tertiary Testing – Phase 3 (continued)

Phase 3 - Test # 6

Testing Results*:

For Phase 3-Test #6, only one parameter was tested. A comparison of database rebates was matched against rebate amounts in Oracle. We then evaluated if those rebates violated program guidelines. We found 11 instances or 9.32%, where the rebates were in violation of guidelines. The primary reason was due to duplicate payments to the same property address, and Oracle information did not show that the duplicate check had been voided or cancelled. Therefore, the property owner received more than allowed based upon program guidelines. It should be noted, that for five rebates (4.24%) we were unable to verify whether program guidelines were violated due to conflicting or incomplete information.

CONCLUSION

In our opinion, Watershed Management is primarily in compliance with the guidelines set forth for the Watershed Management Toilet Retrofit Rebate Program, when the program commenced in 2008.

Although there were some instances where issued rebates did not follow guidelines, the numbers are nominal as compared to the overall count of rebates issued from January 2008 through September 2012. Most of the inconsistencies are related to information from the rebate database, as compared to the actual rebates issued in Oracle. Another contributory factor to some of the inconsistencies, are property tax records, which are part of the WM-TRRP SOPs and may not reflect property renovations/additions. We also relied upon Oracle in our testing, in cases where we found inconsistencies in the rebate database information and hardcopy data (applications). Verifying the actual rebate amount, through Oracle, helped to determine which information was more likely to be accurate. Overtime, IA found fewer instances of these inconsistencies.

OBSERVATIONS, COMMENT & RECOMMENDATIONS

Observation I – Duplicate Payments

During our testing of rebates, we found that duplicate payments had been issued to the same property address and property owner. In most cases, the duplicate rebate payment was issued under a different invoice number. Research of the documentation showed that in some cases this was caught by Watershed Management personnel after the rebate was issued. Subsequently, a request to the property owner for reimbursement of the funds was made, but efforts were futile. The processing of the toilet rebate applications and entering information into the database is manual and subject to human error; resulting in a greater probability of duplicate payments.

Recommendation I

We recommend that WM find ways to automate the rebate program submission process. The rebate database is a first step in making information available, which can be searched and cross-referenced against other systems used in processing toilet rebates. Implementing an automated system which would be able to look up property owner information and auto-fill an application based upon minimal input would reduce human error, paper use, duplicate payments, and the risk of fraud.

Observations, Comment & Recommendations (continued)

Observation II – Use of Property Tax Records

IA found instances whereby the property tax records did not match rebate application or database information. WM uses property tax information to verify the year the home was built, as well as the number of bathrooms in the home. Property tax records may not be reflective of any changes to the home, such as renovations.

Recommendation II

In these cases it is imperative that WM denotes any discrepancies in the database referencing any validating correspondence. WM-TRRP database should reflect both hardcopy data and Oracle rebate information; as this database is used to produce various reports about the WM-Toilet Retrofit Rebate Program (WM-TRRP). We recommend that the rebate check only reflect the number of bathrooms/toilets on County records. The property owner can be notified that the full amount will not be reimbursed until the customer provides proof that they have submitted the updated information to the Tax Assessor's Office. The two departments should collaborate with each other to find out what information would be acceptable.

Comment – Processing of Applications

IA found that changes in the processing of applications have been made, since the implementation of the toilet retrofit rebate program. Initially, rebate applications were processed by temporary employees, with no full-time WM staff dedicated to administer the program. A high volume of paperwork, coupled with the turnover in temporary personnel resulted in rebates of either \$50 or \$100 regardless of toilet cost. Per rebate guidelines, the homeowner is to be rebated for the cost of the approved toilet up to \$50 (1.6 gpf), or up to \$100 (1.28 gpf).

Toilet rebate applications are now processed by full-time Watershed Management staff dedicated to administering the WM Toilet Retrofit Rebate Program. Property owners are now rebated specific to program guidelines of an amount up to either \$50 or \$100, depending upon toilet type.

It should be noted that Watershed Management has updated the Standard Operating Procedures (SOPs) (Oct/Nov 2013) of the Toilet Retrofit Rebate Program since the commencement of the audit.