



*Cobb County...Expect the Best!*

***INTERNAL AUDIT DIVISION***

***Review of Cobb County Street Light District  
Program***

***Report Number: 2010-003***

***October 7, 2010***

***Latona Thomas, CPA, Manager  
Miranda Wang, CPA, Staff Auditor I  
Barry Huff, Staff Auditor I***

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## COBB COUNTY INTERNAL AUDIT

Latona Thomas, CPA

100 Cherokee Street, Suite 250  
Marietta, Georgia 30090  
phone: (770) 528-2559 • fax: (770) 528-2642  
TDD/TTY: (678) 581-5429  
latona.thomas@cobbcounty.org

*Division Manager*

October 7, 2010

### MEMORANDUM TO COBB COUNTY MANAGER

FROM: Latona Thomas, CPA, Manager <sup>LC</sup>

SUBJECT: **FINAL AUDIT REPORT** - Review of Cobb County Street Light District Program

Attached for your review and comments is the subject final audit report. The objective of our audit was to determine if the Street Light District (SLD) Program is being effectively administered to ensure that revenue collected is appropriate to sustain the program and costs are effectively controlled.

#### *Impact on the Governance of the County*

The findings in this report will help improve the administration of the SLD program and help ensure:

- Program fees collected are commensurate with prevailing costs and are efficiently and effectively collected.
- Provisions of the program are applied equitably and fairly to all citizens.
- All costs are properly monitored to ensure they are controlled and properly classified.

Implementation of the recommendations should increase public confidence that the program is administered effectively to the benefit of all citizens.

#### *Executive Summary*

Since its inception in April 1978, the SLD Program established approximately 3,700<sup>1</sup> SLDs throughout the County. An ordinance, passed in 1979, provides some guidance to the administration of the program. However, our review noted that improvements are needed to ensure that revenue collected is appropriate to sustain the program and costs are effectively controlled.

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<sup>1</sup> Based on the SL Coordinator's unaudited listing of SLDs.

Also, changes are needed to ensure the program is operating effectively and efficiently and citizens within the County are being treated fairly and equitably in the administration of the program.

Our review showed:

- Written guidelines are needed to achieve strategic, financial, operational and compliance objectives. The ordinance does not contain all the policies and procedures needed to provide guidance on the administration of the program.
- The street light fee (\$3.50) and installation surcharge (\$6.00 for up to 36 months) established in 1985, may need modification to ensure the SLD revenue is commensurate with its expenditures and the installation costs are timely and fully collected. The average yearly estimated surplus for the program over the audit period is \$404,758<sup>2</sup>. After the total cost of the program is determined, the street light fee may require adjustment to reduce this surplus.
- Reliable data is needed to provide the capability to make informed management decisions. The Street Light Coordinator cannot make certain strategic decisions, nor monitor energy costs without reliable data on the number, type and location of the SLD lighting within the County.
- Street light district revenue and expenditures should be tracked separately so that program funds can be effectively monitored and controlled. Some costs allocated to the program are unrelated and should be accounted for separately from the SLD Program. Any surplus revenue should be expended for SLD Program costs only.
- Procedures need to be implemented to ensure the timely collection of the street light fee and recovery of installation costs. Current procedures for setting up accounts for collection are ineffective and inefficient. During our audit period, \$217,938 in costs to install street lighting was not collected from SLD residents and an additional estimated \$42,892 in street light fees are due from residents who live outside the Cobb County Water System (CCWS) service area.

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<sup>2</sup> See Figure 1 on page 5 of report for explanation of calculation.

## Recommendations

We made several recommendations to address the overall administration of the program, collection of the street light fee, recovery of installation costs, and monitoring of energy costs. We recommended that officials in Transportation, Finance and Water departments:

- Develop comprehensive guidelines to govern all operational and fiscal activities of the program.
- Determine the best way to isolate funding related to the SLD Program so that all revenue collected is commensurate with actual and anticipated costs and all funding is utilized for the program exclusively.
- Establish policies to ensure the amounts charged for the street light fee and installation surcharge are appropriate for the solvency of the program and they are collected fully and consistently from the residents of SLDs.
- Develop a reliable data system that provides information to make management decisions concerning the SLD program.
- Timely pay and monitor energy invoices to ensure the County is not being overbilled for energy costs.
- Develop better procedures for setting up accounts for billing and collecting the street light fee and the full collection of installation costs.
- Develop reports to assist in monitoring the collection of fees and surcharges and the amount of street light revenue that is written off as bad debt.

## Response

The Department of Transportation Director provided a consolidated response with input from Water, Finance and Property Management. They concurred with our recommendations and have begun to implement proposed corrective actions. We provided a comment on the proposed corrective action for the development of the reliable database. We assert that an interim database be created as the first step in building the more elaborate GIS platform. Policies and procedures to address our recommendations are projected to be implemented within a three-month period; we will perform a follow-up on the implementation status of these corrective actions at that time. The complete response to the draft report is included as Appendix VI.

Copies of this report will be sent to the managers and officers affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Barry G. Huff, Auditor-in-Charge, at (770) 528-2558.

## *Background*

In April 1967, the Georgia Legislature amended the state constitution giving Cobb County the authority to district Cobb County or any portion thereof into districts for the purpose of establishing and maintaining, within each district, a system of street lights.

In the November election of 1974, a straw vote was taken to determine interest in a countywide street lighting program. The vote failed for a countywide program, but the results showed that there was interest in creating a lighting district in the eastern part of the County. In 1977, a referendum was passed to establish a lighting district designated as Cobb County Lighting District Number 1. In April 1978, the first street light district, referred to as the East Cobb Street Lighting District, was created comprised of 14 subdivisions in East Cobb County. The County assessed a fee of \$1.95 on the water bill of every residence in the district to pay for the cost of the energy. These actions started the Street Light District (SLD) Program in Cobb County. In order for other subdivisions to be part of the program, their civic association or homeowner's group representative had to petition the Board of Commissioners. In February 1979, a Street Light District Ordinance<sup>3</sup> was passed to provide guidelines and standards for establishing additional districts under the Street Light District Program.

The goal of the current SLD Program is to provide illumination for the roadways and communities within the County to improve safety and help reduce crime. The SLD program is a component of the overall Street Lighting Program that provides street lighting along roadways outside of SLDs and are paid for and maintained by the County. Although the County pays the utility companies for the energy and installation costs for SLD lighting, the residents of the SLDs are assessed a fee and if needed, an installation surcharge to recover the costs.

SLD lighting is intended to be a service and not a tax on the community. Fees collected should be commensurate with the costs of the program to ensure its solvency. Every resident is charged a standard monthly fee of \$3.50 and if necessary, an additional fee of \$6.00, over a period up to 36 months, to recover the costs of installing street light poles in existing developments. Installation costs of street lighting in new developments are borne by the developer.

The Street Light (SL) Program Coordinator is responsible for ensuring that all new and existing County roads are illuminated in accordance with ordinances and in coordination with interested parties. He coordinates a county-designed petition process that enables residents of existing developments to obtain street lights after obtaining a 75% concurrence of affected parties. He ensures County citizens are satisfied with the services provided, and that the lighting fee charges are applied fairly while ensuring the program remains financially solvent.

The Cobb County Water System (CCWS) is charged with the responsibility of timely billing and enforcing the collection of fees associated with the SLD. The SL Coordinator informs the CCWS of every new SLD and the fee that should be charged to each resident.

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<sup>3</sup> Ordinance of 2-27-79, §§ 3-23-24 - 3-23-42; Recent citing: Official Code of Cobb County, Part I, Chapter 106, Article II, Division 2, as amended.

Fees collected are transferred to the General Fund each month. All excess fees (collected over costs) are maintained in and used for General Fund purposes.

Some SLD residents live outside the CCWS service area and are serviced by one of the six cities' utility services. In this instance, the cities have agreed to pay the energy costs associated with the SLD, bill the residents the street light fee, and collect the fees. In other instances, the residents are billed directly by the CCWS for the street light fee only. In the latter instance, collection of the street light fee is hindered since CCWS may not know the current resident of the property and cannot enforce non-payment of the fee by discontinuing water service.

Our audit period for analysis was Fiscal Years 2004 to 2009 (as of June 30, 2009). Computer analysis of street light accounts, street light only accounts and loans was based on 100% analysis of records available as of the date of our review. This review was performed at the Cobb County Office Building, Cobb County Water System Building and the Department of Transportation Building during the period September 2009 through May 2010. Detailed information on our audit objective(s), scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

## *Results of Review*

Since its inception, the SLD Program has created over 3,700 street light districts providing lighting for over 106,000 households and commercial entities in Cobb County. The Cobb County Water System (CCWS) bills these entities each month to collect the fees necessary to maintain the lighting. An ordinance is in place that provides the basic guidelines and standards for establishing and maintaining SLDs. Although the program in place seems to be meeting the needs of the community to provide illumination for safety and crime reduction purposes, there are improvements that can be made to the administration of the program to ensure revenue collected is appropriate to sustain the program and costs are effectively controlled.

### ***Improvements are Needed in the Administration of the SLD Program***

We noted that improvements are needed to ensure:

- Guidelines are written to achieve strategic, financial, operational and compliance objectives.
- The fee charged for street lighting is appropriate.
- Reliable data is compiled to provide the ability to make management decisions.
- Street light district revenue and expenditures are tracked separately so the program can be effectively monitored and controlled.
- Procedures are implemented to ensure the timely collection of the street light fee and recovery of installation costs.
- Energy costs are monitored and controlled.

### ***Additional operating procedures are needed for the SLD Program***

We determined that the Street Light Ordinance is the formal documentation of procedures and policies for administering the SLD Program; however, the ordinance does not provide enough guidance for all aspects of the program. For instance, there are no procedural guidelines on how to create a SLD outside of the CCWS service area. Several issues must be addressed that are not documented in the ordinance, to include but not limited to:

- Who will bill the resident, CCWS or the city's utility service?
- How will installation costs be collected?
- How do you ensure the city collecting the street light fee pays the street light energy bill?

In addition, the ordinance is not clear on how to account for expenditures and allocate money for the installation of street lighting outside of SLDs. During our audit period, \$262,699 was spent to install all street lighting: \$31,152 for lighting outside SLDs and \$231,547 for lighting inside SLDs.

All of the expenditures were coded as SLD expenditures and even though \$50,000 is budgeted each year from the General Fund, the ordinance is not clear on whether the \$31,152 costs are appropriate to be classified as street light expenditures.

SLD expenditures need to be properly classified to ensure accurate accounting of program costs. The SL coordinator cannot accurately determine the costs of the SLD program if other lighting costs are erroneously included with SLD expenditures.

Other examples of procedures or policies that need to be documented are:

- How do you handle supplemental lighting<sup>4</sup> added to an existing SLD? How do you determine if additional lighting is needed and who pays for the installation costs?
- How do you handle the replacement/maintenance of lighting due to deterioration, obsolescence, defect or vandalism?
- When does the County assume responsibility for the maintenance and payment of street lighting in newly developed SLDs?
- How to establish the proper street light fee.

Basic internal control procedures require that all internal controls, transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained in accordance with the County's retention policy. Proper documentation helps ensure SLD Program goals are achieved and management directives are implemented effectively and efficiently.

### ***Recommendation***

DOT Officials should:

**Recommendation 1:** Develop comprehensive guidelines and procedures and/or seek the Board of Commissioners' approval to modify the ordinance for the street light program. These guidelines and/or modifications should state how all the operational and fiscal policies of the program will be applied. The guidelines should also provide for the distinction between the Street Light Program and SLD Program.

### **Auditee Response:**

**Background:** The audit report includes a distinction between lights installed in the street light program for special conditions such as safety, security, and land topography, and lights installed within street light districts.

**Concur:** Comprehensive Policies and Guidelines will be presented to the Board of Commissioners for direction and adoption. The Department will develop these in a three month time frame.

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<sup>4</sup> Additional lighting added to an existing SLD at the request or due to complaints from residents.

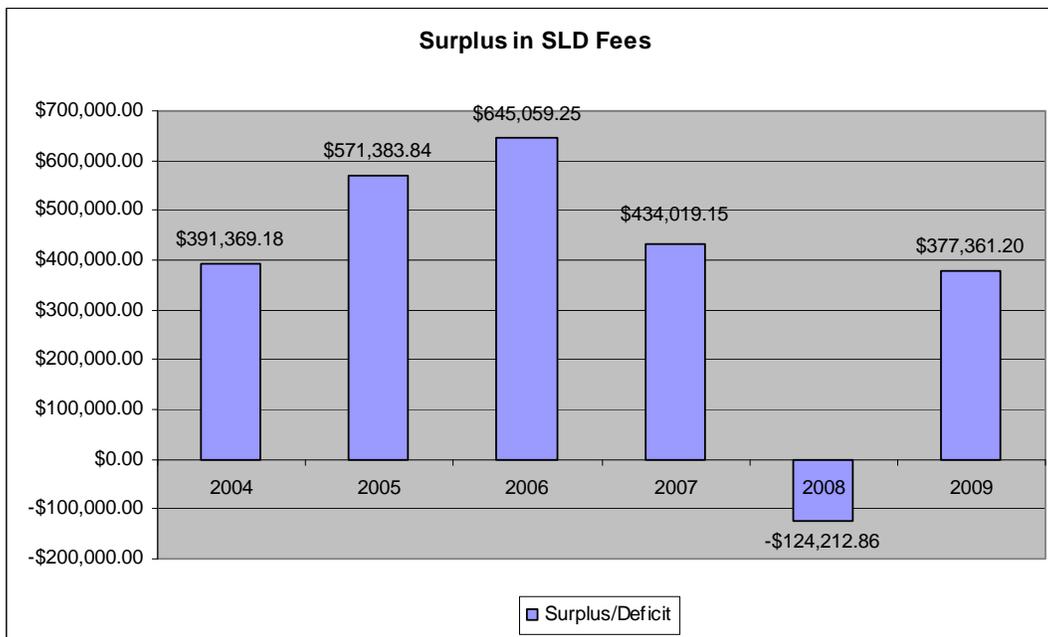
In addition, recommendations for appropriate staffing to manage the overall program will be offered for consideration.

Based on Legal’s review, the policy will address the issue of establishing distinction between the Street Light Program and SLD Program by including methodology for segregating the SLD Program from the overall Street Light Program.

The policies and guidelines developed in response to this recommendation will address recommendations 2, 3, 4, 5, 8, 12, 19, 21 and 22.

**The monthly street light fee may require adjustment**

Our analysis of revenue and costs over the last six fiscal years showed the amount of revenue collected has exceeded the estimated costs by an estimated average of \$404,758 per year. **See Figure 1 below.** The rate has not been adjusted since 1987 when it was raised from \$2.50 to \$3.50 to make up for program deficits and an anticipated increase in energy costs. The overall administrative costs to run the Street Light Program are calculated; however, the cost of the SLD component is not used to help determine the monthly street light fee. There is no formal policy or procedure established to govern when an adjustment of SLD fees is warranted due to surpluses or deficiencies in fees collected.



**Figure 1** Source: County’s Advantage Financial System for revenue and installation costs; CCWS collection costs; Human Resources for personnel costs; and County’s Cost Allocation Plan for indirect costs. Expenses included in the calculation are estimated DOT personnel costs for the SL Coordinator, installation costs, current CCWS collection costs & indirect costs<sup>5</sup>. Note: Change in surplus in FY2008 was due to the net effect of an accounting correction reducing revenue and an estimated \$300,000 increase in energy costs. FY2009 calculations are as of June 30, 2009.

<sup>5</sup> Indirect costs are those not readily identifiable with a particular function or activity, but are necessary for the successful operation and administration of a local government.

The Street Light Ordinance provides that the cost of providing and maintaining street light service in street light districts shall be borne by lot residents who are billed for the street light service through their utility provider. The charge for the service shall be determined by DOT and approved by the Board of Commissioners.

Lighting provided in SLDs are intended to be a service and not a tax or assessment to the citizens of the County; therefore, the revenue collected, should be close to the total amount of money needed to offset the total costs of the SLD Program. These costs include electrical power, administrative, personnel, replacement and costs related to the collection of the fees. Excess fees should be kept at a minimum to support anticipated future costs.

**Recommendations**

The SL Coordinator and Finance Department should:

**Recommendation 2:** Determine the total anticipated costs of the program (i.e. energy, fixtures, personnel, collection, administrative, accounting, replacement) and verify if the current fee will offset these costs without creating an excessive surplus of funds or deficit. The current fee should be adjusted accordingly.

**Auditee Response:**

Concur: The Department will make a fee recommendation based on a review of financial information and the Board approved policy developed as a part of Recommendation 1. We propose to consider the volatility of utility costs; the rising health care costs for personnel; and the fee charged by Water for billing services when developing the fee recommendation. The Energy Analyst will identify and quantify utility provider costs (fixture energy and rental expenses and, if needed, capital replacement estimates). The following table illustrates a rough preliminary overview of projected costs for the program and additional analysis will be performed by the Finance Department. The assumptions include a possible return to a 3 percent fee to offset Water System administrative costs.

Street Light District Analysis								
	Actual		Projected>>>					
Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	4,290,083.11	4,581,283.55	4,632,352.00	4,681,313.00	4,730,156.00	4,778,291.00	4,825,954.00	4,873,027.00
Operating Expenditures	(4,271,849.17)	(4,203,714.75)	(4,317,215.05)	(4,433,779.85)	4,553,491.91)	(4,676,436.19)	(4,802,699.97)	(4,932,372.87)
Indirect Cost	(206,433.00)	(190,486.00)	(207,226.32)	(212,821.43)	(218,567.61)	(224,468.94)	(230,529.60)	(236,753.90)
3% Water Admin Collection Fee				(117,439.39)	(118,904.68)	(120,348.73)	(121,778.62)	(123,190.81)
Deficit/Surplus	(188,199.06)	187,082.80	107,910.63	(82,727.68)	(160,808.20)	(242,962.86)	(329,054.19)	(419,290.58)
<b>Assumption:</b> Estimated increase in revenue using regression analysis correlated with number of households (source of data "Woods & Poole 2010 Cobb Data Pamphlet") Average increase in expenditures since 2005 is 2.76% Estimated increase in expenditures for 2010 through 2014 is 2.7% Indirect Cost 190% of Salaries 3% Water Admin Collection Fee is 3% of revenues less transfers to the Water Fund								

**Recommendation 3:** Establish policies and procedures to determine how often the street light rate should be evaluated and adjusted.

**Auditee Response:**

Concur: The Department will develop procedures as a part of Recommendation 1. These procedures will be developed within a three month time frame. The Department recommends reviewing every three to five years.

**Street Light District revenue and expenditures should be kept separate from other funds**

To keep the SLD Program financially solvent, a street light fee is imposed on the residents of SLDs. The fee is not meant to be a tax, which generates revenue, but rather a service to the citizens of the County. Therefore, surpluses of revenue should be kept at a minimum to meet anticipated future costs of the program and should be expended for costs related to the SLD Program. Currently the surplus each year remains in the General Fund, a governmental fund containing the operating budgets for departments that provide general purpose government services to the citizens of Cobb County.

In order to ensure that all revenue collected for the SLD Program is utilized for the benefit of the program, the revenue and expenditures of the program should be accounted for separately as a Special Revenue or Proprietary Fund. The Special Revenue Fund accounts for the collection and disbursement of specific revenues that are legally restricted to expenditures for specified purposes. A Proprietary Fund is used for activities of the County that render services to the general public on a user charge basis, or that require periodic determination of revenues for public policy. Either fund will provide the County the ability to isolate the accounting of the SLD Program and provide a means to ensure that all revenue collected is used for the benefit of the program. Segregating the funding also provides DOT the ability to set the appropriate street light fee that meets the fiscal needs of the program without collecting excessive revenue or incurring a deficit in the program.

**Recommendation**

DOT officials should:

**Recommendation 4:** Work with the Finance Department to determine the best way to isolate the funding for the SLD Program so that all revenue collected is commensurate with actual and anticipated costs and all funding is utilized for the SLD Program exclusively.

**Auditee Response:**

Concur: Based on Legal's review, the Department recommends establishing a Special Revenue Fund. In 1997, the Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting Act (HB 491). It called for the Georgia Department of Community Affairs (DCA) to develop a uniform chart of accounts for all local governments in the state. The chart that was created is compliant with generally accepted accounting principles (GAAP) and was approved by the Department of Audits (State Auditor) and later approved by the Department of Community Affairs in 1998.

A part of this chart requires local governments to use special revenue funds for law libraries, E-911, confiscated assets, grants, **special districts**, and the hotel/motel tax fund. Special revenue funds are by definition used to account for the proceeds of a specific revenue source that are legally restricted to expenditure for specific purposes. It is the opinion of this office that accounting for the operation and maintenance of street lighting services for districts within Cobb County is a special revenue fund activity as defined by the Local Government Uniform Chart of Accounts and Reporting Act (HB 491).

### **Installation costs are not always collected**

Additional controls are needed to ensure the collection of SLD installation costs. Installation costs occur when street light fixtures are installed in existing developments that do not have utility poles where the lighting can be attached. A surcharge should be assessed against the SLD lot owners to recover the costs. However, we identified instances where:

- Surcharges for new SLDs were not set up for assessment as intended.
- Surcharges for new SLDs set up for assessment were not always collected.
- Installation costs within existing SLDs were not recovered from residents.
- The surcharge and/or collection period was not adequate to recover installation costs.

SLDs in existing developments are created by petition<sup>6</sup>. An agenda item<sup>7</sup> is presented to the BOC requesting approval of the SLD. In the agenda item, the SL Coordinator stipulates whether there will be a cost associated with the installation. If poles and/or wiring are required, the costs are stated and terms of the surcharge assessment agreement are written in the agenda item.

Once the SLD lights are installed, the SL Coordinator sends a memorandum to the CCWS and request that they start billing the residents the street light fee and, if applicable, the surcharge to recover the installation costs. The amount and number of months to assess the surcharge are included in the memorandum. In order to collect the surcharge, the CCWS sets up a loan against the property resident based on the terms of the surcharge agreement. For instance, if the agreement is to collect a \$6 surcharge from the resident for 36 months, a loan will be set up on each residence (premise) for those terms. According to CCWS, the surcharge should be collected from the current resident of the premise until the loan terms are satisfied. When one occupant of a premise moves, the obligation to pay the remainder of the loan should be assigned to the next occupant until the loan is satisfied. If the SL Coordinator fails to request the billing of the surcharge, the CCWS will not set up the loan.

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<sup>6</sup> A process where a written request for lighting is circulated among the residents of a proposed SLD in order to gain a 75% approval for the lighting.

<sup>7</sup> A document prepared to become a part of the official list of items of business planned for consideration during a Board of Commissioners meeting.

### **Surcharges for new SLDs were not set up for assessment as intended**

During our audit period, there were four SLDs created by petition where the residents agreed to pay the street lighting installation costs; however, we determined that residents in only one of the four SLDs was billed the required installation surcharge. We were informed by the SL Coordinator the request to assess the surcharge for the three remaining SLDs were inadvertently left out of the billing request memorandum sent to CCWS. Because the surcharges were not requested as planned, \$28,874.71<sup>8</sup> in installation costs were not set up to be collected. Neither DOT officials nor the SL Coordinator has informed us of whether they plan to collect these surcharges.

### **Surcharges for new SLDs set up for assessment were not always collected**

We analyzed the surcharge collection for the one SLD (Oak Creek Estates) that was set up for collection. Loans to recover the installation costs were initially set up in March 2007 on the 63 lots that comprise the SLD. The loans for 57 of the lots were properly set up and billed as of our fieldwork date.

However, our analysis of the remaining six accounts showed the following:

- One premise was initially set up to collect the surcharge and the original tenant made eight payments. The loan was set up on the subsequent tenant, but no loan payments were billed or paid. Several tenants have been set up for service at this premise but none have been billed the surcharge. The loan's remaining balance is \$168.
- Three of the loans were initially set up properly, but were not re-assigned to the new resident when a new customer requested water service. A total of \$360 remains outstanding on these loans. Management explained that when a new service is set up on a premise with an outstanding loan, the customer service representative (CSR) gets an alert. The procedure, at the time of our tests, was the CSR should send an email to the CCWS employee that sets up street light accounts and ask them to reset the loan to the new resident. Management suspects this did not occur when these three accounts were re-assigned new service.
- One of the premises was improperly set up with two loans. One loan was terminated and the customer refunded the overpayment of \$192. Management did not know how this double billing for the surcharge occurred.
- For one premise, the remaining loan balance (\$42) was assessed against the current resident when they discontinued water service rather than being transferred to the next tenant. As such, the resident discontinuing service paid the remaining balance of the loan in error. Management explained that this occurred because the loan was not terminated<sup>9</sup> when the account was closed so the system assessed the remaining balance against the current tenant. CSRs should ensure they properly terminate (suspend) outstanding loans on a premise to prevent this from occurring.

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<sup>8</sup> See installation costs listed on Figure 2, page 11 for Dogwood Terrace, Cedar Forks and Harold Dean SLDs.

<sup>9</sup> Loan termination is a process where the loan's collection is suspended, and the remaining balance of the loan is still due.

### **Installation costs within existing SLD were not recovered from residents**

During the audit period, installation costs of \$174,013<sup>10</sup> within existing SLDs were not assessed against the lot residents. Some of these expenditures replaced deteriorated street lights or upgraded lighting within a SLD. Other expenditures involved supplemental lighting that required the installation of one, two or several poles and wiring. It is the practice of DOT to request funding approval each year from the General Fund to pay for these types of street light expenditures rather than collect the costs from the lot owners.

There are no documented policies or procedures that pertain to the replacement of deteriorated lighting or lighting that needs upgrading; nor are there provisions for the installation of additional lighting in existing SLDs where costs are not recovered.

Because there is an absence of policies and procedures, there has been an inconsistency in the application of the ordinance provision to collect the cost of street light installation from the residents within some SLDs. Policies and procedures need to be developed to address these inconsistencies to ensure the ordinance provision, to recover costs of street light installation, is fairly and equitably applied to all the affected citizens of the County. When costs for installation are not fully collected from the affected citizens, other taxpayers essentially bear the cost of the installation.

### **The installation surcharge and/or collection period was not adequate to recover installation costs**

The current \$6.00 surcharge and 36-month maximum collection term should be adjusted to allow for the highest recovery of installation costs. Also, the terms of collection should be correctly established to avoid shortages or excessive surcharges. According to the SL Coordinator, the current installation cost surcharge (pole charge) was established by the BOC on June 23, 1987 and became effective beginning FY1988. At the same time, 36 months was established as the maximum term for collecting the surcharge.

During our audit period, four SLDs were established where the installation cost was planned<sup>11</sup> to be recovered by assessing the surcharge to SLD residents over a specified period. As the chart below illustrates, in three (Dogwood Terrace, Oak Creek Estates, Cedar Forks) of the four installations, \$17,007 of costs would not be recovered under the current payment agreement terms, and billings for one SLD would have resulted in an over-assessment of \$9,909.

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<sup>10</sup> Total SLD installation expenditures, \$231,547 minus \$57,534, the cost of installation of new SLDs. (Figure 2, page 11).

<sup>11</sup> Only one (Oak Creek Estates) of the four installations was set up to be collected by the CCWS because the SL Coordinator inadvertently left it out of the billing request memorandum to CCWS. The intent to collect the installation costs is based on statements in the related agenda items and discussion with the coordinator..

### *Analysis of Amount Collected if Payment Terms Followed*

Street Light District	Installation Cost	Payment Agreement			Total	(Shortage) Surplus
		# of Residents	Amount	Term		
Dogwood Terrace	\$3,604.07	9	\$6	36	\$1,944.00	(\$1,660.07)
Oak Creek Estates	\$28,659.00	63	\$6	36	\$13,608.00 <sup>12</sup>	(\$15,051.00)
Cedar Forks	\$20,491.64	102	\$6	33	\$20,196.00	(\$295.64)
Harold Dean	\$4,779.00	68	\$6	36	\$14,688.00	\$9,909.00
Total	\$57,533.71					

**Figure 2** Source: Costs and terms from BOC agenda items and minutes of meetings.

Assessing a higher surcharge could shorten the period of collection which helps ensure the cost of installation is obtained from the residents who voted for the SLD and is not passed on to a subsequent resident. While the ordinance provides for the collection of the surcharge from subsequent residents, collecting the surcharge from the resident who agreed to the surcharge would be more advantageous and may avoid confusion and explanation of the charge. Another option includes extending the collection period, which would allow the SL Coordinator to ensure the terms of collection are adequate to recover the installation costs.

In addition, a policy should be established that sets the number of months for the collection period and a tolerance range in the total amount collected; because, in most cases, the methodology for collecting the surcharge does not provide the capability to collect the exact amount owed. For example, had the Cedar Forks SLD terms of repayment been implemented as planned, the total collected would have been \$295.64 short of full payment; however, collecting an additional month of surcharges (\$612) would have resulted in excess collections of \$316.36 (\$612 - \$295.64). The intent of the collection policy should be specified either to collect the maximum amount without exceeding the cost or the amount that collects the least amount of surplus. Setting an established policy will help ensure the terms of collections are applied fairly and equitably in all installations.

Also, additional controls are needed to ensure requests for collection for surcharges, submitted to the CCWS, are accurate and commensurate with established procedures. If the collection of the surcharge were imposed as intended for the Harold Dean SLD, the surcharges collected would have exceeded the cost of the installation by over \$9,000. Overcharging for installation costs violates the ordinance provisions and could erode public confidence in the program.

<sup>12</sup> \$528 to be collected—See Section: *Surcharges set up for assessment were not always collected*. \$168 and \$360, page 8.

## ***Recommendations***

The SL Coordinator should:

**Recommendation 5:** Develop written guidelines and procedures for the recovery of all installation costs associated with the creation of SLDs. These guidelines should ensure the total installation costs are determined prior to setting up the payment terms and they should address the replacement of deteriorated lighting and the addition of supplemental lights.

### **Auditee Response:**

Concur: The Department will include the cost recovery guideline as a part of Recommendation 1.

The CCWS officials should:

**Recommendation 6:** Develop procedures to ensure the balance on surcharge loans are assessed against the subsequent owner of the property until the loan amount is fully paid.

### **Auditee Response:**

Concur CCWS is in the process of developing one report that would identify terminated loans when a customer is finalized. The report will be run monthly and look for any active account with a terminated status loan. The Public Services Supervisor will review the report to ensure that once a new customer establishes service at that address that they would have the loan added to their account until satisfied. Report will be finished by October 15, 2010.

The SL Coordinator and CCWS officials should:

**Recommendation 7:** Develop a report that will help the SL Coordinator monitor the collection of the surcharge. The report should provide information that would allow the coordinator to monitor data on the recovery of installation costs including, the amount of loans outstanding, number of premises with loans, amount collected for the period and the cumulative amount of terminated and satisfied loans.

### **Auditee Response:**

Concur: CCWS is in the process of developing three different reports to satisfy this recommendation. Each of the three reports would be run monthly. One report would include the dollar amount of outstanding loans and number of premises with loans. An additional report would be developed to cover the collections towards those loans. Another report would include the amount of terminated and satisfied loans. Each of these reports should be completed by October 15, 2010.

DOT Officials should:

**Recommendation 8:** Evaluate the surcharge fee and period of collection and determine whether the rate should be revised or the collection period extended. Since collecting the exact amount of costs will be impractical in most instances, a tolerance range of over or under collection should be established.

**Auditee Response:**

Concur: The Department will include the cost recovery in the guideline as part of Recommendation 1.

**Recommendation 9:** Establish controls that will ensure requests for the collection of the surcharge are submitted accurately and commensurate with established policies and procedures.

**Auditee Response:**

Concur: The Department will establish the necessary controls to ensure accuracy within three months.

**Reliable data is needed for administrative decision making**

The SL Coordinator has a listing of over 3,700 SLDs created within the County. He used the spreadsheet listing as a way to track the progress of street light district creations. He has not thoroughly maintained and updated the listing over the years; therefore, it is not complete and cannot be used as a reliable tool to help administer the program.

In order for the SL Coordinator to effectively administer the program, he needs a comprehensive collection of reliable data to make essential budgeting, maintenance and planning decisions. For instance, without reliable data that tells the coordinator the age, type and cost of street lights, he cannot effectively plan, fund or execute a meaningful maintenance management strategy for the SLD program. Effective cost projections for replacement cannot be performed without knowing the quantity, age and location of the street light poles. Reliable data can also provide supportable information needed for budget planning, analysis of fee adjustments and establishing funding priorities.

In addition, without the data the SL Coordinator cannot effectively evaluate the cost of energy charged to the County nor be assured the CCWS is billing all the residents of the SLDs. There is nothing to compare the energy billings to without an accurate record of the number and type of street lighting installed in the County and there is no assurance that all revenue is being collected without a data source that shows all the affected lots in each SLD. Monitoring of energy costs is discussed further below.

Equipped with this information, the SL Coordinator could be a resource for information to make strategic decisions on how to save energy and maintenance costs for the SLD Program and taxpayers of the County. Without reliable data, the coordinator does not have the tools necessary to effectively administer the SLD Program.

## ***Recommendations***

DOT Officials should:

**Recommendation 10:** Meet with the DOT's Geographic Information Systems team, Tax Assessor, CCWS, Information Services, and other parties who can assist in compiling a reliable data source of street lighting resources. The data should include the location, type, age and number of each street light within each SLD. Other information such as anticipated replacement date and estimated energy costs would be helpful. The utility that handles billing and the energy provider should also be a part of the data gathering. Best practices in system development should be followed while planning and implementing the data system.

DOT should also reconcile the new database information to the CCWS database and the energy billings and make any changes/corrections accordingly.

### **Auditee Response:**

**Concur:** The Department will develop the GIS database in collaboration with IS and Finance. We recommend a multi-stage development process as follows: add a data layer to define the boundaries of street light districts; add a data layer to locate street light fixtures; and automate the billing process through electronic linkage to the Water System financial billing system.

Because a reliable database is critical to achieving many of the objectives stated in this audit, the Department will work with other County Departments, as noted in the recommendation, to assess whether the database development can be accomplished in-house or if an external contractor will be necessary. If an external contractor is needed, we recommend identifying funding and securing an external contractor to accomplish the goal within six months. The Department will need IS, CCWS, and Finance assistance for development of the database.

The Energy Analyst will coordinate between Cobb County and the utility companies for data collection and assist with costing models.

### **Additional Audit Comment:**

While we agree with the GIS component of the database structure, we believe an interim database that lists all the pertinent data for each SLD should be the first step in the database development process. This primary database, reconciled to the BOC minutes, CCWS and Tax Assessor data as well as the results of the audits from the power companies will serve as the platform to build the more highly structured GIS database.

### **Energy costs need to be monitored and controlled**

Except for a recently initiated energy audit by one energy company, there has been no comprehensive review of the street light district energy costs by the SL or Energy Coordinator within the last 10 years. Although the costs are monitored to ensure they stay within budgeted amounts, there has been no ongoing review to determine if the amount the County is billed is accurate. We were informed that an audit was conducted several years ago, but the results were not available for review at the time of our audit.

An energy audit for street lighting was recently initiated by the Energy Coordinator and will be overseen jointly with the SL Coordinator to verify all street lighting currently provided by the Georgia Power Company (GPC). According to the Energy Coordinator, GPC has contracted a service provider to go through the County and record each street light where they provide electricity. When completed, the power company will provide a mapping of the lighting installed within their coverage area for review and comparison to County records. An audit for the remaining four companies that provide an estimated 75% of the SLD energy has not been initiated. See table below.

***Energy Suppliers for Street Lighting***

<b>Power Company</b>	<b>Districts Served</b>	<b>% of Districts</b>	<b>Number of Lights</b>	<b>% of Lights</b>
Greystone	205	5.5%	1,792	5.4%
Marietta	96	2.6%	1,061	3.2%
Georgia Power	821	21.9%	8,266	24.9%
Cobb EMC	2,033	54.3%	22,026	66.4%
Acworth	2	0.0%	12	0%
None Specified <sup>13</sup>	597	15.7%	n/a	n/a
<b>Total</b>	<b>3,754</b>	<b>100.0%</b>	<b>33,157</b>	<b>100.0%</b> <sup>14</sup>

**Figure 3** Source: Unaudited Street Light Listing, SL Coordinator<sup>15</sup>

In order to ensure the accuracy of energy billing, an audit should be conducted of all the energy companies, especially Cobb EMC, which appears to provide energy for an estimated 66% of the street lighting. Once the energy audits are completed, a baseline of the energy costs billed by the five companies can be established and month-to-month comparison of the invoices conducted to identify variances that need to be investigated. We believe the best person to monitor SLD energy costs would be the SL Coordinator since he is responsible for the financial solvency of the program and is in the best position to detect and investigate any cost variations. For example, recently two new SLDs were added to the invoice of one energy provider. The accounts payable technician contacted the Energy Coordinator who confirmed the new billings after verification with the SL Coordinator.

We asked the SL Coordinator to validate the additions and he confirmed they were new SLDs, but he questioned the amount billed based on the number of lights that were installed in the SLDs. His investigation noted the initial billing was higher because it was prorated to include more than one month's billing. He also determined one of the SLD was charged an improper rate. The energy provider agreed to provide a credit for the overbilling and adjust the rate on future billings. An additional review by the energy provider noted the use of the improper rate on other invoices that resulted in a \$12,873.45 credit to the September billing.

<sup>13</sup> Data from SL Coordinator did not show the power company that serviced these SLDs.

<sup>14</sup> Rounded from 99.9%.

<sup>15</sup> This unaudited listing was incomplete, but presented for informational purposes only because it provided a good estimate of the amount of energy provided by each energy provider.

Regular monitoring of the invoices by the coordinator will help ensure that costs paid for energy in the SLD program are accurate. Without effective monitoring of the costs, the County cannot be assured they are paying the appropriate amount for energy it consumes to provide SLD lighting.

In addition to the audits by the energy companies, the County needs to review all energy billings to ensure they are appropriately classified. We noted in one month's billing, \$6,789 was charged to the SLD program for security lighting at the library, commercial developments, lighting for tunnels, thoroughfares, signage and traffic lights. The Finance Department uses templates of these invoices for payment through its financial system. Each line item on the invoice receives an accounting line coding<sup>16</sup> to designate where the expenditure will be charged. The account coding remains the same month to month, unless they receive a request to change it by the department for which the expenditure is allocated. Several of these line items are miscoded and charged to the SLD energy expenditure object code instead of the expenditure object code for public utility electricity. We did not review any other object codes to determine if any SLD costs had been misclassified.

We also identified a group of paid energy bills where expenditures were misclassified as SLD fixture costs instead of SLD electricity that caused energy costs to be understated and street light fixture costs to be overstated by approximately \$300 each month. This misclassification does not affect any Finance Department financial reporting or the overall costs of the SLD program, but will affect any individual analysis of energy costs alone. Regular monitoring of the energy costs of the program can help identify and reclassify expenditures that have been miscoded.

## ***Recommendations***

The Energy and SL Coordinator should:

**Recommendation 11:** Plan and initiate energy audits for the remaining four power companies so results can be used as a baseline for evaluating future billings.

### **Auditee Response:**

**Concur:** The Department will plan and initiate the recommended energy audits. The Energy Analyst will review the energy audit and assist with coordination and billing negotiations.

**Recommendation 12:** Coordinate with the Finance Department to review the County's energy bills and ensure that only SLD costs are coded as such.

### **Auditee Response:**

**Concur:** DOT and Finance working with Property Management's Energy Analyst will ensure that all energy related bills specific to street lights are accounted for in 010-050-0760 effective immediately and any miscoding will be corrected. This will include any distinction between the Street Light Program and the SLD Program.

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<sup>16</sup> Accounting line coding shows the expenditure's fund, department, unit and expenditure object code.

**Recommendation 13:** Coordinate with the Finance Department to have SLD energy costs invoiced separately from other energy costs or clearly segregated on the current invoices.

**Auditee Response:**

Concur: The Department, the Energy Analyst and Finance will collaborate to achieve this recommendation within six months.

The SL Coordinator should:

**Recommendation 14:** Assume the responsibility of monitoring SLD energy costs on a monthly basis. The SL Coordinator has first-hand knowledge of any changes to the SLD lighting and can attest to any changes to the billing received from the energy companies.

**Auditee Response:**

Concur: All street light energy bills are currently scanned and sent to the Energy Analyst in Property Management. Finance will send scanned copies to Department of Transportation as bills are received effective immediately. The Department with assistance from the Energy Analyst will create a method to track the bills and review monthly and we will better define the ongoing role of the Energy Analyst.

**Recommendation 15:** Work with the Finance Department to identify and reclassify any misclassified expenditures and develop new object codes for installation expenditures unrelated to the SLD program.

**Auditee Response:**

Partially Concur: Finance does not recommend adjusting any miscodings in prior year audited numbers but does concur with ensuring all expenditures are properly coded in current year (FY 2010). Finance does recommend the setting up of the necessary expenditure object codes (accounts) needed to properly account for all activities of this program. Finance, the Energy Analyst and DOT will ensure that all street light installations to be accounted for appropriately.

**Energy invoices should be paid monthly**

Each month the County receives 16 sets of invoices from five energy companies related to SLD energy. These invoices need to be paid timely each month, not only to receive any discounts offered, but also to provide for the monthly monitoring of the energy costs. Our review showed the total monthly amount of invoices paid for street light energy varies widely from month to month. See Figure 4 for payments made during FY2008.

The Finance Department receives a large invoice totaling approximately \$186,000 from Cobb EMC each month that lists over 1,400 lines of entries for street light districts. Our analysis showed that the Cobb EMC invoice was not paid each month, which caused a variation in the calculated monthly energy expenditures. Figure 4 below shows how the bills were processed for FY2008<sup>17</sup>.

The Accounts Payable manager does not know why the invoices were not processed monthly; however, she suspects the invoices did not come in timely from the vendor. We were neither able to confirm or refute this statement.

***SLD Energy Payments & Cobb EMC Invoice Processing***

<b><i>Fiscal Period</i></b>	<b><i>SLD Energy Payments</i></b>	<b><i>Cobb EMC Invoices Processed</i></b>
October 2007	\$131,600.33	None
November 2007	\$543,838.31	2
December 2007	\$132,996.91	None
January 2008	\$132,913.51	None
February 2008	\$317,220.94	1
March 2008	\$238,422.91	None
April 2008	\$142,449.29	None
May 2008	\$700,661.63	3
June 2008	\$329,222.12	1
July 2008	\$381,277.81	1
August 2008	\$143,778.77	None
September 2008	\$896,331.72	4

Figure 4 Source: County’s Advantage Financial System

Consistent payment of all energy invoices is essential for effective and efficient monitoring of energy costs. The Cobb EMC invoice needs to be billed and paid monthly so that variances in billing can be identified, analyzed and evaluated as to its validity. Our review of billing for FY2010 showed, except for October 2009, the Cobb EMC invoice has been paid each month.

***Recommendation***

The Energy Coordinator and Finance Department Officials should:

**Recommendation 16:** Contact Cobb EMC to ensure the street light invoice is submitted timely each month and develop controls to ensure all energy bills are processed monthly by their due date.

**Auditee Response:**

**Concur:** Procedures have been and are currently in place per Internal Audit recommendation. Finance picks up on a weekly basis all Cobb EMC group bills from their administrative office. All bills received by the Accounts Payable division of Finance are paid by in a timely basis upon receipt. Prior year inconsistencies in energy billings are primarily related to Cobb EMC’s change in their billing system. Finance and the Energy Analyst will coordinate to ensure all bills are received and processed in a timely manner.

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<sup>17</sup> FY2008 was judgmentally selected to show the variation in monthly payments.

### **Annexed property energy costs need to be transferred to the city**

Controls need to be implemented that will ensure SLDs annexed by cities are identified and timely transferred to that municipality for maintenance. At the time of our review, the SL Coordinator was not notified of any property annexations. As a result, we identified one SLD, Marr Ave, which was annexed by the City of Marietta in 2004 and the County did not transfer the maintenance responsibility to the city. We estimate that during our audit period, over \$3,000<sup>18</sup> in electricity was paid by the County that should have been paid by the City of Marietta for this SLD. The SL Coordinator should be formally notified so that he can determine if any SLD maintained by the County is affected.

### **Recommendation**

DOT Officials should:

**Recommendation 17:** Develop procedures to ensure the SL Coordinator is notified of any annexation of property within Cobb County so he may determine whether the annexation will affect SLD billing and maintenance.

### **Auditee Response:**

**Concur:** This has been accomplished. The SL Coordinator is now included on the distribution list to receive annexation updates from Community Development.

### **Set up procedures for street light billing needs improvement**

#### **Setting Up Accounts at CCWS**

When a new SLD is created, the SL Coordinator sends a memo to the CCWS contact and requests the addresses included in the new SLD be billed the \$3.50 street light fee, and if applicable, the \$6.00 installation surcharge (pole charge). A plat of the SLD would accompany the memo from which the CCWS employee would attempt to identify all the addresses (lots) that should be included in the SLD. The designated CCWS employee often compiled a list of the addresses from the plat prior to establishing the new charges on accounts in the billing<sup>19</sup> system and would encounter several problems when trying to set up accounts. For example:

- Some lots were set up with different addresses. Corner lots often had or used the address of the adjoining street.
- Some addresses on the plat were difficult to read and in some instances required the use of a magnifying glass.
- Some addresses were not easily recognized because they were out of sequence with the others on the street. (For example, addresses with 4-digits versus 1-digit).
- Some addresses on the plat could be confused with lot numbers.

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<sup>18</sup> Current monthly billing for Marr Ave is \$8.60 per light for 6 lights, \$51.60. Annual billing is \$619.20. Five complete years of billings would total \$3,096.

<sup>19</sup> The billing software system used by the CCWS is developed by Ventyx, Inc. and is marketed as Customer Suite that has billing and customer service features.

- Some residences on the plat were not part of the SLD.
- Some customers had multiple accounts (i.e. regular water and irrigation) and only one should be billed.
- Some lots were not recognizable as vacant (undeveloped).

In order to resolve these situations, the CCWS employee would contact the SL Coordinator for assistance and decide what accounts should be set up for billing.

This process could be more efficient if the SL Coordinator would confirm each address in the affected SLD prior to requesting the billing set up. Along with the plat, the coordinator should send a list of the addresses that require street light fee billing and if applicable, the installation surcharge. This would decrease the time needed for the CCWS employee to set up the accounts and help ensure all properties within the SLD are properly billed.

### **Vacant Lots**

If a SLD included a vacant property or the property did not require Cobb County water service, the lot would not have an account on the CCWS billing system and thus, could not be set up to be billed for the street light fee. In these instances, the memorandum from the SL Coordinator and the plat of the SLD was placed in an incomplete suspense file folder with all the SLDs that could not be completely input into the billing database. The CCWS employee would periodically go through the suspense file and check the system to see if an account had been established for any of the vacant lots. If an account existed, the CCWS employee would set up to be billed the street light fee. There were SLDs created as far back as 2001 in the suspense file that may contain unbilled properties. We were unable to determine the overall dollar impact of these accounts.

In a subsequent discussion, CCWS management stated that putting the files in suspense was not necessary because the lots would be set up for street light service billing when the customer applied for new water service. We did not test to determine the effectiveness of this process; however, we know this process cannot work if the lots are not serviced by CCWS. For instance, during our reconciliation of the street light only accounts, we identified one SLD that had 4 vacant lots when the SLD was created. Those lots are currently occupied and are not set up for billing.

### **Test of Billing Accuracy**

We selected a sample of 50 bills sent to Cobb County Water customers in SLDs to determine if the amount charged for the street light fee was accurate and whether a surcharge for pole installation had been properly set up to be collected. We determined that all fees collected were appropriate and surcharges were assessed properly.

We also determined that each resident of each SLD represented in our sample were billed for the street light fee or the surcharge, if applicable.

Our computer analysis of 111,826 account records with street light service, active or inactive, identified two irregular conditions:

- Accounts with multiple street light (both active and inactive) records in the database.

- Active water accounts with inactive street light service.

We evaluated the accounts with the irregular conditions and identified the following billing conditions that required corrective action.

- 3 accounts were double-billed for the street light fee a total of \$91 (customer accounts' subsequently credited).
- 1 account's billing set up was not completed (account subsequently properly set up).
- 13 accounts needed their street light service reactivated (currently being properly billed).
- 19 accounts' street light services were not properly placed in inactive "Retired" status to prevent reactivation (correction made).

Management suspects the double billing occurred because existing procedures (in the process of being revised) were not followed when placing street light service in an inactive status. According to management, if a street light service is set up in error on an account, the only way to correct the entry is to place the service in an inactive "Retired" status, which prevents the service from reactivating on the account. Failure to place the erroneous service in the retired status could create a double billing condition if a customer service representative adds an additional street light service to a new water customer's account. This occurred in one of the accounts with multiple services (one active, one inactive). When new service was established, the old inactive (unretired) street light service converted to active status and the resident was billed for two street light services.

Management did not know the reason why the other three billing conditions occurred, but management agreed that emphasis of proper procedures through training and developing documented procedures would help to prevent their reoccurrence.

### ***Recommendations***

DOT and CCWS officials should:

**Recommendation 18:** Coordinate to develop and document better procedures for setting up accounts for street light billing, including the confirmation of all addresses included in the SLD prior to submitting the billing request to CCWS and providing a listing of the addresses along with the previous documentation submitted to the CCWS.

### **Auditee Response:**

Concur: The Department now provides the listing of all addresses to be billed to CCWS in addition to a copy of the plat. Additionally, CCWS has provided access to customer records on their Banner Billing System to allow identification of non-CCWS customers in advance of billing establishment.

**Recommendation 19:** Establish procedures that will ensure the proper street light fee is assessed against new water customers in established street light districts. Include in the procedures a process to ensure residents in formerly vacant lots are assessed the street light fee. Unique procedures need to be developed for residents of formerly vacant property who are not serviced by CCWS. These residents will not apply to CCWS for water service therefore; they will not be identified as a street light only customer and will not be set up for billing accordingly.

**Auditee Response:**

Concur: The guidelines entitled development of vacant lots and billing non-CCWS customers that will be developed in response to Recommendation 1 will include the process required in this recommendation.

CCWS officials should:

**Recommendation 20:** Develop reports to monitor the accuracy of street light billing. The reports should analyze billing records and identify irregularities like double billings, accounts erroneously in inactive water service status, and accounts where the inactive street light service should be retired.

**Auditee Response:**

Concur: This recommendation will require CCWS to run three additional reports weekly. The first one is to identify active accounts with double billing errors and that report is completed and run weekly. A report to identify inactive street light service that should be retired is completed and run weekly. That way, new customers at the same address will not be double billed. The third report that will be developed will identify accounts that are erroneously in inactive water service status. This report will identify discrepancies in service status of the water, sewer and streetlight charges. All should be inactive or active and the report will identify those that are not all the same status. The third report should be completed by October 31, 2010.

**Street light only account collections are neither effective nor efficient**

Procedures for billing and collecting street light fees from residents not serviced by CCWS are ineffective. Collection on half of these accounts has been suspended due to non payment of the fee. An estimated \$42,892 in street light fees has not been collected from these residents. Collection of these accounts is also inefficient because CCWS sends a separate bill each month to collect the \$3.50 fee. The cost of billing these types of accounts are 20 times higher (1.7¢ versus 36.3¢) than other accounts where the fee is included on the customer's utility bill.

## Billing Street Light Only Accounts

There are SLDs created in areas of the County where the CCWS does not provide service. For some residents in these SLDs, a city's utility company collects the SL fee, and pays the energy costs. These are discussed in further detail on Page 24, *SLDs Within a City's Utility Service Area*. However, there are 294 SLD residents within the Austell, Marietta and Smyrna utility service area that the cities' utility will not bill. There has been some discussion regarding billing but no formal agreement has been reached.

Since the CCWS did not have a water account for these residents, it was decided a street light only billing account would be created and a monthly \$3.50 bill sent to the residence in the name of the property owner (not necessarily the occupant). The names on some accounts have not been updated since set up as far back as 1994.

We determined that the CCWS had 290 of the 294 residents in its billing system. We identified 3,539 payments, totaling \$29,173, associated with the 290 street light only accounts. These payments were dated from January 2004 to November 2009<sup>20</sup>.

Our analysis of the 290 accounts and the payments associated with the accounts showed:

- 145 (50%) of the 290 accounts are currently in an inactive status and are not being billed. Accounts are in inactive status because they were closed or written off as bad debt. All accounts should be in an active status since the fee is assessed against the owner and there is no water service to suspend.
- 126 (43%) of the 290 accounts have no record of payments and we estimate, over the period January 2004<sup>21</sup> to November 2009, \$31,311 in SL fees has not been collected.
- \$11,581 in street light fees should have been collected from the remaining 164 accounts that made at least one payment.

Figure 5 below shows how estimates were calculated.

Estimated Total Revenue Lost from SL Only Customers	
Estimated Fee to Collect (290 premises * 71 months * \$3.50/month)	\$ 72,065.00
Total Collected	\$ (29,173.05)
Total Estimated Uncollected	\$ <b>42,891.95</b>
Less: Estimated Revenue Lost from 126 non paying customers (126 * 71 months * \$3.50/month)	\$ 31,311.00
Estimated Revenue uncollected from remaining customers	\$ <u>11,580.95</u>

Figure 5 Source: Extracted payment data from CCWS Billing System by Program Manager, CCWS.

<sup>20</sup> Although outside of our initial scope, this period represents the complete payment history downloaded from the CCWS billing system.

<sup>21</sup> The 290 accounts were established prior to January 2004; no additional street light only accounts were created during this period.

## **Costs of Collecting Street Light Only Accounts**

Not only is the collection of the street light only fee ineffective, the cost of collecting these accounts is much more than other SLD residents. The current estimated cost of billing street light only customers was established, by a study in 1994, as 1.7¢<sup>22</sup> per bill. This estimate has not been updated and does not include all the current costs of billing. For instance, this estimate did not include the cost of postage, which increases the cost to 36.3¢<sup>23</sup> per bill. If you add other costs such as account research and collection costs, the expense of billing SL only accounts increases even more. Alternative means of collecting, such as annual billings or by agreement with other utility providers should be studied to determine the most efficient and effective way to collect the fees.

## **SLDs Within a City's Utility Service Area**

As referenced on Page 23, there are currently 35 SLDs that are located within Marietta or Powder Springs's utility service area where the city collects the street light fee and pays the respective energy costs. Marietta collects the fee, pays their own energy supplier; while Powder Springs collects the fee, and pays a third party utility provider.

There are no guidelines or procedures documented that provide instructions on how these types of SLDs should be created and maintained. The SL Coordinator currently sends the city's utility representative a listing of the residents within the SLD, and the city's representative takes the actions necessary to bill the residents on their utility bill. This informal arrangement appears to be working; however, there are no procedures documented or confirmation received that ensures the cities assume the payment of the related energy costs for the SLD. In addition, we do not know what actions will be taken if there are costs associated with the installation of the lights. There is no agreement with the cities on who will be responsible to pay the installation costs and how to recover the costs from the residents. Without adequate controls in place, the County could be paying the energy costs for SLDs while the impacted city collects the SL fee.

The SL ordinance provides that the billing, accounting, collecting and receiving of moneys will be performed by the CCWS or other utility provider, which, by agreement, will perform those functions on behalf of the County. No formal agreements between the County and the cities' utility exist or were available for review.

## **Recommendations**

DOT officials should:

**Recommendation 21:** Meet with the CCWS officials and others who can assist with designing a better process to collect the SL fee from residents that are not serviced by the CCWS. They should consider whether to:

- Bill the resident of the property (as provided by the ordinance) or to bill the owners of the property.
- Bill yearly to reduce the cost of collecting the fee on a monthly basis.
- Send the bill to the owner's address if not the same as the SLD address.

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<sup>22</sup> Costs included were personal service, operating and capital costs.

<sup>23</sup> CCWS current bulk mail rate is 34.6¢.

- Develop formal agreements with the cities' utilities to collect the fee and pay the energy costs.

**Auditee Response:**

Concur: The Department will include developing the billing guideline as part of Recommendation 1.

The SL Coordinator should:

**Recommendation 22:** Develop written guidelines for creating SLDs that reside within the boundaries of one of the cities utility service area including procedures for recovering installation costs and ensuring the city pays the energy bill.

**Auditee Response:**

Concur: The Department will include developing the billing guideline as part of Recommendation 1.

**Bad debt needs to be identified and properly accounted**

CCWS absorbs the bad debt associated with the uncollected SL revenue billed and transferred to the General Fund. The CCWS Accounting Division credits the General Fund daily with the amount of street light fees billed (not collected) but does not debit those funds back to the CCWS account when the revenue is not collected.

Prior to the installation of a new accounting system in 2004, the Accounting Division received a monthly bad debt report that showed the amount of bad debt attributed to uncollected street light fees. They used the report to support an accounting entry to reduce the amount of street light revenue transferred to the General Fund by the amount of uncollected street light fees. It is our understanding the report is no longer created. Not making the accounting adjustment for bad debt overstates the street light revenue and inflates the bad debt write off for the CCWS.

**Recommendation**

CCWS Accounting Division staff should:

**Recommendation 23:** Develop a new report to identify the amount of street light revenue that is written off as bad debt each year. Coordinate with the Finance Department to develop proper procedures for journalizing the bad debt to ensure it is properly posted to the General Fund and not being absorbed by the Water System.

**Auditee Response:**

Concur: Finance will coordinate with all departments to have write-offs included in General Fund for FY 2010 and policies in place for all future year-end write-offs. (immediately for FY 2010 year-end financial audit)

CCWS is currently developing a report that will segregate the bad debt associated with street lights to enable CCWS Accounting to properly reduce the bad debt associated with it on CCWS books and properly record the bad debt in the General Fund. This report is expected to be completed by October 31, 2010.

Additionally, the following journal entry will be made monthly to properly record the monthly transfer of funds and the bad debt in the General Fund:

**Fund 500:**

DB: 500-0000-2307	Due to General Fund Street Lights	\$xxxxxxx
CR: 500-5141-6571	Bad Debt Expense	\$xxxxxxx
CR: 500-0000-0011	Cash	\$xxxxxxx

**Fund 010:**

DB: 010-0000-0011	Cash	\$xxxxxxx
DB: 010-0764-6571	Bad Debt Expense	\$xxxxxxx
CR: 010-0000-0512	0 Due From CCWS Street Lights	\$xxxxxxx

### *Detailed Objectives, Scope, and Methodology*

We conducted this review as part of our annual audit plan. The audit period for our analysis was fiscal years 2004 to 2009 (as of June 30, 2009). Computer analysis of street light and street light only accounts and loans was based on 100% analysis of records available in the CCWS billing system as of the date of our review.

Our overall objective is to determine if the Street Light District (SLD) Program was effectively administered to ensure revenue collected was appropriate to sustain the program and costs were effectively controlled. In order to accomplish our objective, we performed the following sub-objectives:

- I. Determined if the SLD fee charged to residents and commercial entities is reasonable.
  - A. Determined if costs<sup>24</sup> and revenue<sup>25</sup> are monitored.
  - B. Determined if policies have been established for adjusting SLD fees when fees collected are more than what's needed or are not enough to keep the program solvent.
- II. Determined if the SLD database is a viable tool used to administer the program.
  - A. Discussed with the coordinator how the SLD database is used to help him administer the street light district program.
  - B. Determined the completeness of the SLD database.
- III. Determined if energy costs are monitored and controlled.
  - A. Determined the methodology used for monitoring the energy costs associated with SLDs.
  - B. Tested the accuracy of the energy bills.
- IV. Determined if monthly SLD fee bills by the CCWS are accurate.
  - A. Selected a sample of bills sent to CCWS customers in SLDs to ensure bills are accurate.
  - B. Determined if surcharges for the recovery of street light installation costs have been properly set up for collection.
  - C. Determined if SLDs are being set up properly to be billed when a SLD is approved.
  - D. Determined if residents in SLDs not served by CCWS are being billed for the SLD fee and the payment is being collected.
  - E. Determined if the County has any agreement with other utility providers to collect and enforce the collection of SLD fees.

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<sup>24</sup> Refers to expenditures for electricity to power the street lights and installation of the street light poles.

<sup>25</sup> Includes the standard fee collected by the CCWS to pay for the cost of electricity and the surcharge billed to recoup the costs of installing street light poles in existing subdivisions.

## Appendix II

### *Abbreviations and Glossary*

CCWS	Cobb County Water System
SL	Street Light
SLD	Street Light District
Street Light Only Account	Accounts where CCWS does provide service but bills the resident for the street light fee and charges.

## Appendix III

### *Major Contributors to the Report*

Latona Thomas, CPA, Internal Audit Division Manager  
Barry G. Huff, Auditor-in-Charge

*Final Report Distribution List*

Faye DiMassimo, Agency Director, Department of Transportation  
Steve McCullers, Director, Cobb County Water System  
Virgil Moon, CPA, Support Services Agency Director  
Jim Pehrson, CPA, Director/Comptroller, Finance Department  
Judie Mazih, Manager, Business Services, Cobb County Water System  
John Reida, Director, Property Management  
Chuck Hunt, Energy Coordinator  
Jeff Burns, Street Light Program Coordinator  
Tari Phillips, Account Manager, Finance Department  
Robert J. Quigley, Director, Cobb County Communications  
Internal Audit Division File

## *Outcome Measures*

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. This benefit(s) will be incorporated into our annual report to the County Manager and Board of Commissioners.

### **Type and Value of Outcome Measure:**

The actual outcomes below were computed based on activities noted in the current fiscal year (FY2010) through July 21, 2010. Any activities after July 21, 2010 are reflected as FY2010 - FY2013 potential outcomes.

#### **During testing for recovery of installation costs:**

- Increased Revenue – FY2011 Potential: \$12,888.00. FY2012 Potential: \$7,992; FY2013 Potential: \$6,156. Three SLDs were not set up for collection of the surcharge as intended. (See page 9)<sup>26</sup>
- Increased Revenue – FY2010 Actual: \$126; FY2010 Potential: \$48; FY2011 Potential: \$228. Identified four accounts where the collection of the surcharge was terminated prematurely. (See page 9)<sup>27</sup>
- Reliability of Information – FY2010 Actual: -\$192. One account was overcharged the street light surcharge by \$192. The account was corrected and credited. (See page 9)<sup>28</sup>

#### **During testing of set up procedures at CCWS:**

- Decreased Expenditure – FY2010 Actual: \$361.20; FY2010 Potential: \$103.20; Potential FY 2011: \$619.20. Annexed SLD, Marr Ave, energy bill was transferred to City of Marietta for payment. (See page 19)<sup>29</sup>
- Increased Revenue – FY2010 Potential:\$28; FY2011 Potential: \$168. Identified four vacant lots not currently billed for street light fee. (See page 20)<sup>30</sup>

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#### **Methodologies Used to Measure the Reported Outcome**

<sup>26</sup> Potential calculated assuming collection of surcharge starting in FY2011. Cedar Forks collected for 33 months, Dogwood Terrace, 36 months and Harold Dean 12 months.

<sup>27</sup> Actual outcome verified by reviewing payment ledgers of the affected accounts. Potential is based on collection months remaining in FY2010 and months in FY2011.

<sup>28</sup> Actual outcome verified by reviewing payment ledgers of the affected account.

<sup>29</sup>Current monthly billing for Marr Ave is \$8.60 per light for 6 lights, \$51.60. Yearly billing is \$619.20. Billing was transferred in December 2009

<sup>30</sup> Potential for FY2010 calculated using two months remaining in FY times \$3.50 times four lots. FY2011 Potential calculated similar to FY2010 using 12 months.

- Increased Revenue – FY2010 Potential: \$10.50; FY2011 Potential: \$42. Identified one resident in Sweetwater Plantation SLD not currently set up to pay SL only fee. (See page 21)<sup>31</sup>

**During testing for accuracy of billing set up at CCWS:**

- Reliability of Information – FY2010 Actual:-\$91. Three accounts double billed for street light fee. Corrected and refunded \$91. (See page 21)<sup>32</sup>
- Reliability of Information – FY2010 Actual: 19 accounts were updated to prevent reactivation and duplicate billing of inactive street light service. (See page 21)<sup>33</sup>
- Increased Revenue – FY2010 Actual: \$161; FY2010 Potential: \$91; FY2011 Potential: \$546. Identified 13 accounts where street light service was reactivated. (See page 21)<sup>34</sup>
- Increased Revenue – FY2010 Actual: \$35; FY2010 Potential: \$7; FY2011 Potential: \$42. Identified one account where street light service had not been set up as required. (See page 21)<sup>35</sup>

**During testing for collection of street light only accounts:**

- Increased Revenue – FY2011 Potential: \$5,292. Additional street light fee collected from 126 non-paying street light only customers. (See page 23)<sup>36</sup>

**During testing for monitoring of energy costs:**

- Decreased Expenditures – FY2010 Actual:-\$12,873.45. Cobb EMC found instances of incorrect rates being used to bill for street light energy. Credit issued in September bill. (See page 15)<sup>37</sup>

**Overall Administration**

- Reliability of Information – FY2011 Potential: A reliable database listing of over 3700 SLDs will be updated to provide assurance on the accuracy and completeness of the annual revenue amounts reported. (See page 13)<sup>38</sup>

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**Methodologies Used to Measure the Reported Outcome**

<sup>31</sup> Potential for FY2010 calculated by multiplying the number of months left in the fiscal year (July, August, September) times the \$3.50 street light fee for each account. FY2011 calculated by multiplying the street light fee times 12 months times the 4 accounts.

<sup>32</sup> Double billing and refund confirmed to CCWS billing system.

<sup>33</sup> Improper inactive status for street light service confirmed to CCWS billing system.

<sup>34</sup> Actual outcome verified by reviewing payment ledger for each account. Potential is based on collection of three remaining months in FY2010 times number of accounts (13) times \$3.50. Potential FY2011 calculated similar to FY2010 using 12 months.

<sup>35</sup> Actual outcome verified by reviewing payment ledger. Potential is based on months to collect fee in FY2010 (3) and 12 months in FY2011.

<sup>36</sup> 126 street light only accounts at \$3.50 times 12 months.

<sup>37</sup> Credit confirmed to September billing from Cobb EMC.

<sup>38</sup> Unaudited listing of SLDs as provided by the SL Coordinator.

*Auditee Response*



**DEPARTMENT OF TRANSPORTATION**

1890 County Services Parkway  
Marietta, Georgia 30008-4014

Phone: (770) 528-1600 Fax: (770) 528-1601

DATE: October 4, 2010  
TO: Latona Thomas, CPA, Manager, Internal Audit  
FROM: Faye DiMassimo, Director, Department of Transportation   
SUBJECT: Transportation, Finance, Property Management and Water System Response to the Internal Audit Division's Report – Review of Cobb County Street Light District Program

This memo is in response to the Draft Internal Audit report, dated August 30, 2010. The review determined over 3,700 Street Light Districts have been established throughout the County and an ordinance provides some guidance to the administration of the program. However, your review noted that changes are needed to ensure the program is operating effectively and efficiently and citizens within the County are being treated fairly and equitably in the administration of the program.

You made several recommendations and our response to those recommendations are provided below.

Recommendation 1: Develop comprehensive guidelines and procedures and/or seek the Board of Commissioners' approval to modify the ordinance for the street light program. These guidelines and/or modifications should state how all the operational and fiscal policies of the program will be applied. The guidelines should also provide for the distinction between the Street Light Program and the Street Light District (SLD) Program. (DOT Officials)

Background: The audit report includes a distinction between lights installed in the street light program for special conditions such as safety, security, and land topography, and lights installed within street light districts.

Concur:

*Comprehensive Policies and Guidelines will be presented to the Board of Commissioners for direction and adoption. The Department will develop these in a three month time frame.*

*In addition, recommendations for appropriate staffing to manage the overall program will be offered for consideration.*

*Based on Legal's review, the policy will address the issue of establishing distinction between the Street Light Program and SLD Program by including methodology for segregating the SLD Program from the overall Street Light Program.*

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*The policies and guidelines developed in response to this recommendation will address recommendations 2, 3, 4, 5, 8, 12, 19, 21 and 22.*

**Recommendation 2:** Determine the total anticipated costs of the program (i.e. energy, fixtures, personnel, collection, administrative, accounting, and replacement) and verify if the current fee will offset these costs without creating an excessive surplus of funds or deficit. The current fee should be adjusted accordingly. (SL Coordinator and Finance)

*Concur: The Department will make a fee recommendation based on a review of financial information and the Board approved policy developed as a part of Recommendation 1. We propose to consider the volatility of utility costs; the rising health care costs for personnel; and the fee charged by Water for billing services when developing the fee recommendation. The Energy Analyst will identify and quantify utility provider costs (fixture energy and rental expenses and, if needed, capital replacement estimates). The following table illustrates a rough preliminary overview of projected costs for the program and additional analysis will be performed by the Finance Department. The assumptions include a possible return to a 3 percent fee to offset Water System administrative costs.*

Street Light District Analysis		Projected >>>						
Fiscal Year	Actual 2008	Actual 2009	2010	2011	2012	2013	2014	2015
Revenue	4,290,083.11	4,581,283.55	4,632,352.00	4,681,313.00	4,730,156.00	4,778,291.00	4,825,954.00	4,873,027.00
Operating Expenditures	(4,271,849.17)	(4,203,714.75)	(4,317,215.05)	(4,433,779.85)	(4,553,491.91)	(4,676,436.19)	(4,802,699.97)	(4,932,372.87)
Indirect Cost	(206,433.00)	(190,486.00)	(207,226.32)	(212,821.43)	(218,567.61)	(224,468.94)	(230,529.60)	(236,753.90)
3% Water Admin Collection Fee				(117,439.39)	(118,904.68)	(120,348.73)	(121,778.62)	(123,190.81)
Deficit/Surplus	(188,199.06)	187,082.80	107,910.63	(82,727.68)	(160,808.20)	(242,962.86)	(329,054.19)	(419,290.58)

Assumption  
 Estimated increase in revenue using regression analysis correlated with number of households (source of data "Woods & Poole 2010 Cobb Data Pamphlet")  
 Average increase in expenditures since 2005 is 2.76%  
 Estimated increase in expenditures for 2010 through 2014 is 2.7%  
 Indirect Cost 190% of Salaries  
 3% Water Admin Collection Fee is 3% of revenues less transfers to the Water Fund

**Recommendation 3:** Establish policies and procedures to determine how often the street light rate should be evaluated and adjusted. (SL Coordinator and Finance)

*Concur: The Department will develop procedures as a part of Recommendation 1. These procedures will be developed within a three month time frame. The Department recommends reviewing every three to five years.*

**Recommendation 4:** Work with Finance Department to determine the best way to isolate the funding for the SLD Program so that all revenue collected is commensurate with actual and anticipated costs and all funding is utilized for the SLD Program exclusively. (DOT Officials)

*Concur: Based on Legal's review, the Department recommends establishing a Special Revenue Fund. In 1997, the Georgia General Assembly passed the Local Government Uniform Chart of Accounts and Reporting Act (HB 491). It called for the Georgia Department of Community Affairs (DCA) to develop a uniform chart of accounts for all local governments in the state. The chart that was created is compliant with generally accepted accounting principles (GAAP) and was approved by the Department of Audits (State Auditor) and later approved by the Department of Community Affairs in 1998. A part of this chart requires local governments to use special revenue funds for law libraries, E-911, confiscated assets, grants, special districts, and the hotel/motel tax fund. Special revenue funds are by definition used to account for the proceeds of a specific revenue source that are legally restricted to expenditure for specific purposes. It is the opinion of this office that accounting for the operation and maintenance of street lighting services for districts within Cobb County is a special revenue fund activity as defined by the Local Government Uniform Chart of Accounts and Reporting Act (HB 491).*

**Recommendation 5:** Develop written guidelines and procedures for recovery of all installation costs associated with the creation of SLDs. These guidelines should insure the total installation costs are determined prior to setting up payment terms and they should address the replacement of deteriorated lighting and the addition of supplemental lights. (SL Coordinator)

*Concur: The Department will include the cost recovery guideline as a part of Recommendation 1.*

**Recommendation 6:** Develop procedures to ensure the balance on surcharge loans are assessed against the subsequent owner of the property until the loan amount is fully paid. (CCWS)

*Concur: CCWS is in the process of developing one report that would identify terminated loans when a customer is finalized. The report will be run monthly and look for any active account with a terminated status loan. The Public Services Supervisor will review the report to ensure that once a new customer establishes service at that address that they would have the loan added to their account until satisfied. Report will be finished by October 15, 2010.*

**Recommendation 7:** Develop a report that will help the SL Coordinator monitor the collection of the surcharge. The report should provide information that would allow the coordinator to monitor data on the recovery of installation costs including, the amount of the loans outstanding, number of premises with loans, amount collected for the period and the cumulative amount of terminated and satisfied loans. (SL Coordinator and CCWS officials)

*Concur: CCWS is in the process of developing three different reports to satisfy this recommendation. Each of the three reports would be run monthly. One report would include the dollar amount of outstanding loans and number of premises with loans. An additional report would be developed to cover the collections towards those loans. Another report would include the amount of terminated and satisfied loans. Each of these reports should be completed by October 15, 2010.*

**Recommendation 8:** Evaluate the surcharge fee and period of collection and determine whether the rate should be revised or the collection period extended. Since collecting the exact amount of the costs will be impractical in most instances, a tolerance range of over or under collection should be established. (DOT Officials)

*Concur: The Department will include the cost recovery in the guideline as part of Recommendation 1.*

**Recommendation 9:** Establish controls that will ensure requests for the collection of the surcharge are submitted accurately and commensurate with the established policies and procedures. (DOT Officials)

*Concur: The Department will establish the necessary controls to ensure accuracy within three months.*

**Recommendation 10:** Meet with DOT's Geographic Information Systems team, Tax Assessor, CCWS, Information Services, and other parties who can assist in compiling a reliable data source of street lighting resources. The data should include the location, type, age, and number of each street light within each SLD. Other information such as anticipated replacement date and estimated energy costs would be helpful. The utility that handles billing and the energy provider should also be a part of the data gathering. Best practices in system development should be followed while planning and implementing the data system. DOT should reconcile the new database information to the CCWS database and the energy billings and make any changes/corrections accordingly. (DOT Officials)

*Concur: The Department will develop the GIS database in collaboration with IS and Finance. We recommend a multi-stage development process as follows: add a data layer to define the boundaries of street light districts; add a data layer to locate street light fixtures; and automate the billing process through electronic linkage to the Water System financial billing system.*

*Because a reliable database is critical to achieving many of the objectives stated in this audit, the Department will work with other County Departments, as noted in the recommendation, to assess whether the database development can be accomplished in-house or if an external contractor will be necessary. If an external contractor is needed, we recommend identifying funding and securing an external contractor to accomplish the goal within six months.*

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*The Energy Analyst will coordinate between Cobb County and the utility companies for data collection and assist with costing models.*

*The Department will need IS, CCWS, and Finance assistance for development of the database.*

Recommendation 11: Plan and initiate energy audits for the remaining four power companies so results can be used as a baseline for evaluating future billings. (Energy and SL Coordinator)

*Concur: The Department will plan and initiate the recommended energy audits. The Energy Analyst will review the energy audit and assist with coordination and billing negotiations.*

Recommendation 12: Coordinate with the Finance Department to review the County's energy bills and ensure that only SLD costs are coded as such. (Energy and SL Coordinator)

*Concur: DOT and Finance working with Property Management's Energy Analyst will ensure that all energy related bills specific to street lights are accounted for in 010-050-0760 effective immediately and any miscoding will be corrected. This will include any distinction between the Street Light Program and the SLD Program..*

Recommendation 13: Coordinate with the Finance Department to have the SLD energy costs invoiced separately from other energy costs or clearly segregated on the current invoices. (Energy and SL Coordinator)

*Concur: The Department, the Energy Analyst and Finance will collaborate to achieve this recommendation within six months.*

Recommendation 14: Assume the responsibility of monitoring SLD energy costs on a monthly basis. The SL Coordinator has first-hand knowledge of any changes to the SLD lighting and can attest to any changes to the billing received from the energy companies. (SL Coordinator)

*Concur: All street light energy bills are currently scanned and sent to the Energy Analyst in Property Management. Finance will send scanned copies to Department of Transportation as bills are received effective immediately. The Department with assistance from the Energy Analyst will create a method to track the bills and review monthly and we will better define the ongoing role of the Energy Analyst.*

Recommendation 15: Work with the Finance Department to identify and reclassify any misclassified expenditures and develop new object codes for installation expenditures unrelated to the SLD program. (SL Coordinator)

*Partially Concur:* Finance does not recommend adjusting any miscodings in prior year audited numbers but does concur with ensuring all expenditures are properly coded in current year (FY 2010). Finance does recommend the setting up of the necessary expenditure object codes (accounts) needed to properly account for all activities of this program. Finance, the Energy Analyst and DOT will ensure that all street light installations to be accounted for appropriately.

**Recommendation 16:** Contact Cobb EMC to ensure the street light invoice is submitted timely each month and develop controls to ensure all energy bills are processed monthly by their due date. (Energy Coordinator and Finance Officials)

*Concur:* Procedures have been and are currently in place per Internal Audit recommendation. Finance picks up on a weekly basis all Cobb EMC group bills from their administrative office. All bills received by the Accounts Payable division of Finance are paid by in a timely basis upon receipt. Prior year inconsistencies in energy billings are primarily related to Cobb EMC's change in their billing system. Finance and the Energy Analyst will coordinate to ensure all bills are received and processed in a timely manner.

**Recommendation 17:** Develop procedures to ensure the SL Coordinator is notified of annexation of property within Cobb County so he may determine whether the annexation will affect SLD billing and maintenance. (DOT Officials)

*Concur:* This has been accomplished. The SL Coordinator is now included on the distribution list to receive annexation updates from Community Development.

**Recommendation 18:** Coordinate to develop and document better procedures for setting up accounts for street light billing, including the confirmation of all addresses included in the SLD prior to submitting the billing request to CCWS and providing a listing of the addresses along with the previous documentation submitted to CCWS. (DOT and CCWS officials)

*Concur:* The Department now provides the listing of all addresses to be billed to CCWS in addition to a copy of the plat. Additionally, CCWS has provided access to customer records on their Banner Billing System to allow identification of non-CCWS customers in advance of billing establishment.

**Recommendation 19:** Establish procedures that will ensure the proper street light fee is assessed against new water customers in established street light districts. Include in the procedures a process to ensure residents in formerly vacant lots are assessed the street light fee. Unique procedures need to be developed for residents of formerly vacant property who are not serviced by CCWS. These residents

will not apply to CCWS for water service therefore; they will not be identified as a street light only customer and will not be set up for billing accordingly. (DOT and CCWS officials)

*Concur: The guidelines entitled development of vacant lots and billing non-CCWS customers that will be developed in response to Recommendation 1 will include the process required in this recommendation.*

Recommendation 20: Develop reports to monitor the accuracy of street light billing. The reports should analyze billing records and identify irregularities like double billings, accounts erroneously in inactive water status, and accounts where the inactive street light service should be retired. (CCWS officials)

*Concur: This recommendation will require CCWS to run three additional reports weekly. The first one is to identify active accounts with double billing errors and that report is completed and run weekly. A report to identify inactive street light service that should be retired is completed and run weekly. That way, new customers at the same address will not be double billed. The third report that will be developed will identify accounts that are erroneously in inactive water service status. This report will identify discrepancies in service status of the water, sewer and streetlight charges. All should be inactive or active and the report will identify those that are not all the same status. The third report should be completed by October 31, 2010.*

Recommendation 21: Meet with the CCWS officials and others who can assist with designing a better process to collect the SL fee from residents that are not serviced by the CCWS. They should consider whether to:

- Bill the resident of the property (as provided by the ordinance) or to bill the owners of the property.
- Bill yearly to reduce the cost of collecting the fee on a monthly basis.
- Send the bill to the owner's address if not the same as the SLD address.
- Develop formal agreements with the cities' utilities to collect the fee and pay for the energy costs.

(DOT officials)

*Concur: The Department will include developing the billing guideline as part of Recommendation 1.*

Recommendation 22: Develop written guidelines for creating SLDs that reside within the boundaries of one of the cities utility service area including procedures for recovering installation costs and ensuring the city pays the energy bill. (SL Coordinator)

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*Concur: The Department will include developing the billing guideline as part of Recommendation 1.*

**Recommendation 23:** Develop a new report to identify the amount of the street light revenue that is written off as bad debt each year. Coordinate with the Finance Department to develop proper guidelines for journalizing the bad debt to ensure it is properly posted to the General Fund and not being absorbed by the Water System. (CCWS Accounting Division staff)

*Concur:*

*Finance will coordinate with all departments to have write-offs included in General Fund for FY 2010 and policies in place for all future year-end write-offs. (immediately for FY 2010 year-end financial audit)*

*CCWS is currently developing a report that will segregate the bad debt associated with street lights to enable CCWS Accounting to properly reduce the bad debt associated with it on CCWS books and properly record the bad debt in the General Fund. This report is expected to be completed by October 31, 2010.*

*Additionally, the following journal entry will be made monthly to properly record the monthly transfer of funds and the bad debt in the General Fund:*

**Fund 500:**

DB: 500-0000-2307	Due to General Fund Street Lights	\$xxxxxx
CR: 500-5141-6571	Bad Debt Expense	\$xxxxxx
CR: 500-0000-0011	Cash	\$xxxxxx

**Fund 010:**

DB: 010-0000-0011	Cash	\$xxxxxx
DB: 010-0764-6571	Bad Debt Expense	\$xxxxxx
CR: 010-0000-0512	Due From CCWS Street Lights	\$xxxxxx