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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAY 10 1994

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Daren E. Duff
EXECUTIVE SECRETARY

April 20, 1994

To: Board of Directors (Water Problems Committee--Information)
Board of Directors (Finance and Insurance Committee--Information)

From: General Manager

Subject: Ultra-Low-Flush Toilet Program - Security of Program Resources

Report

To date, Metropolitan and its member agencies have invested \$11.8 million in the very successful community-based organization (CBO) Ultra-Low-Flush (ULF) Toilet Program (Program). Funds are invested in purchases of toilets from manufacturers, payments to CBO for distribution of the toilets to customers, and consulting fees for program development and management.

Another \$5 million is committed to be spent by Metropolitan and member agencies on this Program before the end of the this fiscal year. Staff projects that 150,000 ULF toilet will be distributed in the period from October 26, 1992 to June 30, 1994.

The security of Metropolitan's Program resources is of vital concern in two regards:

1. Verification that the ULF toilets have actually been installed as intended, and
2. Assurance that ULF toilets or Program funds are not being misappropriated by customers or by persons involved in the Program.

Installation Verification

On-site verification of dwelling unit installations by three Program participants (representing 92 percent of all Program ULF toilet distributions) is now being performed by those agencies on the basis of selective or random sampling.

- a. Los Angeles Department of Water and Power
(The installation of approximately 10 percent of 75,000 ULF toilets distributed by CBOs and schools are verified by inspection.)

- b. Central/West Basin Municipal Water District
(The installation of approximately 10 percent of 2,000 ULF toilets distributed by CBOs are verified by inspection.)
- c. San Diego County Water Authority
(The installation of approximately 10 percent of 8,600 ULF toilets distributed by CBOs are verified by inspection.)

Most other participating agencies have elected not to undertake a single-family on-site verification process.

Metropolitan has retained PEAK International, quality assurance consultants, to investigate the methodology and statistical validity of the agencies' installation verification processes. PEAK has concluded, in its initial report to Metropolitan, that the current inspection methodology needs to be altered to achieve better statistical reliability. Based upon PEAK's preliminary analysis, however, it appears that as many as 97.3 percent of the inspected ULF toilets are confirmed as installed. The balance of 2.7 percent is attributable to such factors as the inability of inspectors to gain access to the household; and ULF toilets returned, not installed, stolen, or broken.

PEAK will soon begin a more in-depth study of verification requirements and will design a more statistically valid model verification process for use by interested agencies. PEAK will also furnish implementation assistance to those agencies. The model will also be used by Metropolitan to verify the ULF toilet distributions of those agencies that do not implement their own verification process (representing approximately eight percent of all Program ULF toilet distributions).

Security of Program Funds and Toilet Inventory

Metropolitan and its Program consultant have initiated internal systems of checks and balances to assure that all funds and ULF toilet inventories are controlled and protected from theft and fraud. These internal systems for control and security oversee activities of the Program consultant and the various CBOs engaged in the Program. They are designed to prevent losses from:

- a. stealing ULF toilets from inventory and selling for cash;
- b. stealing cash or other assets from the Program;

- c. obtaining a ULF toilet by proper or fraudulent means and subsequently selling the toilet;
- d. obtaining additional ULF toilets by simultaneously applying to more than one CBO for the same residence address; and
- e. misusing a customer's Visa/Mastercard account number.

Each of these possible areas of Program vulnerability is counteracted by two or more security measures. As a result, unaccounted for Program losses to date total less than \$1,000.

Board Committee Assignments

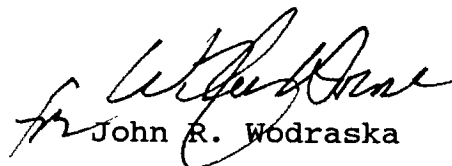
This letter is referred for information to:

The Water Problems Committee because of its authority to make recommendations regarding policies on water conservation, pursuant to Administrative Code Section 2481(1); and

The Finance and Insurance Committee because of its authority to study, advise, and make recommendations in matters concerning the disposition of funds, pursuant to Administrative Code Section 2441(c).

Recommendation

For information only.


John R. Wodraska

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