

OIG IN BRIEF

Why the OIG Did This Report

The S&WB is responsible for constructing, controlling, maintaining, and operating the public water, sewerage, and public drainage system in Orleans Parish and establishing the water and sewerage rates charged to customers.

On January 1, 2013, the S&WB initiated an annual rate increase of 10 percent through 2020. The S&WB estimated that customers charged \$53 per month before the increase will be charged \$113 per month in 2020. These rate increases are projected to generate an additional \$583 million. According to the S&WB, the additional revenues will be used to repair aging infrastructure and to fund day-to-day operations.

The S&WB's reported charges for service of approximately \$158 million in 2014; with the annual 10 percent rate increases through 2020, that amount will increase significantly.

Given the large amount of money the S&WB collects from its customers, auditors sought to determine if fee collection controls were designed and operating effectively. Effective processes and internal controls to collect fees from its customers in a timely manner should help the S&WB fulfill its mission to provide services at a reasonable cost.

A report to the Sewerage and Water Board of New Orleans, March 9, 2016.

View OIG [report](#) AR14PAU004. For more information contact Erica Smith at (504) 681-3200 or esmith@nolaog.gov.

Sewerage and Water Board of New Orleans (S&WB) Fee Collection and Controls

What the OIG Found

The S&WB had \$21.8 million in outstanding sewer and water charges, and 47 percent (\$10.3 million) of those charges were delinquent (more than 90 days past due) as of December 31, 2013. However, S&WB did not know which customers were included in the past due aging category. The inability to identify delinquent customers decreased the likelihood that the S&WB could implement an effective collection program.

Since 1987, the S&WB used the Customer Account Management (CAM) System to process customer bills and payments. Although the CAM System could generate information about the total amount owed by all of its customers, auditors found that the CAM System could not generate a detailed aging report that listed all delinquent customers. It also did not apply late fees to all past due accounts, further demonstrating its inability to produce reliable and relevant information about delinquent ratepayers.

Auditors found that S&WB employees, including a manager, were not aware of and did not adhere to the S&WB's written delinquent collections policy.

The audit also included the following findings:

- The S&WB owed customers approximately \$189,000 from unclaimed deposits and overpayments. Employees did not notify these customers via certified mail as required.
- S&WB managers could potentially save \$83,000 per year by switching to a lockbox system to process payments received by mail.

What the OIG Recommended

The S&WB should replace the CAM System with a system that can provide historical and real-time information, including detailed aging reports of past due accounts. S&WB managers should also take an inventory of all policies and communicate those policies to ensure that employees understand and follow the delinquent collection process. S&WB managers should monitor collection times and rates to determine if the policies are effective and followed consistently.

The S&WB has a responsibility to collect what it bills and to use its resources in the most cost-effective way. This includes pursuing collection efforts on all delinquent accounts, notifying customers of potential refunds, and performing cost-benefit analyses on current procedures for processing payments to evaluate potential savings. The S&WB should also ensure that employees adhere to written policies.

The S&WB expects to implement a new billing and collection system in the third quarter of 2016. The new system should make it possible for managers and other individuals to extract and analyze reliable, detailed, historical, and real-time information which will enable more efficient and effective billing and collection methods.