

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

January 25, 2016

New Orleans Sewerage and Water Board
625 Saint Joseph Street, Room 237
New Orleans, LA 70165

Dear Members of the Sewerage and Water Board:

The Office of Inspector General (OIG) conducted a performance audit titled "Sewerage and Water Board of New Orleans Fee Collection and Controls" for the period of January 1, 2014 through March 31, 2014. The purpose of this public letter is to document the observations noted during that performance audit. Observations are deficiencies in internal controls; noncompliance with provisions of laws, regulations, contracts, or grant agreements; or abuse, which were not significant to the objectives of the audit, but warrant your attention.¹

During the performance audit, the OIG requested a list of all billing adjustments made by Sewerage and Water Board (S&WB) employees during the scope period. To determine the operating effectiveness of the internal controls over the billing adjustment process, a random sample of 95 billing adjustments were selected with a confidence level of 95 percent and a margin of error of 10 percent. During our testing, we noted the following observations:

1. S&WB employee(s) destroyed supporting documentation for five billing adjustments, totaling \$353, after one year to reduce the amount of paper stored.²
2. A S&WB employee posted an adjustment to an account that did not exist. Managers were unable to explain how the \$29 adjustment was posted to a non-existent account.
3. S&WB employees posted adjustments to 24 bills as the result of broken or faulty equipment. The adjustments were calculated based on the usage level of the month following the repairs instead of the average of the previous 12 months as required by S&WB policy.³ The S&WB under-billed customers by \$93 as a result of these incorrect calculations.

¹ *Government Auditing Standards, Chapter 7.19*; U.S. Government Accountability Office, 2011.

² The S&WB Records Retention policy (Policy No. 36, Revised 9-30-87) stated, "All departments should retain all records for a period of at least three (3) years as allowed in L.S.A. – R.S. 44:36(A)."

³ The *Rules and Regulations of the Sewerage and Water Board of New Orleans – General Information*, September 14, 1994, p. 27 stated, "Where leaks at the meter, or on Sewerage and Water Board lines are repaired by our crews, all excess consumption will be deducted, and the customer will be given an average bill based on their previous 12 months consumption."

Please note that these observations are provided for informational purposes only, and responses are not required.

If you have any questions please contact Erica Smith, Chief of Audit and Review, at 504-681-3200 or esmith@nolaog.org.

Sincerely,



E.R. Quatrevaux
Inspector General

cc: Andrew D. Kopplin, First Deputy Mayor & Chief Administrative Officer
Cedric S. Grant, S&WB Executive Director
Robert K. Miller, S&WB Deputy Director