

The Office of Inspector General (OIG) conducted a performance audit of the Sewerage and Water Board of New Orleans (S&WB) fee collection internal controls for the period January 1, 2014 through March 31, 2014. The objectives of the audit were to:

- Evaluate the efficiency and effectiveness of the S&WB fee collection and billing processes; and
- Test the operating effectiveness of the internal controls over the fee collection and billing processes.

Since 1987, the S&WB has used the Customer Account Management (CAM) System to process customer bills and payments. The CAM System could not generate the information needed to allow managers to collect accounts receivable effectively. The audit includes the following findings that resulted from the CAM System limitations:

- As of December 31, 2013, 47 percent of the S&WB's \$21.8 million accounts receivable balance was delinquent (at least \$60 and over 90 days past due). The CAM System could not produce detailed aging reports. Without an aging report, managers could not be certain that they were pursuing collection efforts on all delinquent accounts.
- The CAM System did not assess late fees on 23 percent of the accounts tested that were paid more than four days after the due date. Managers did not know why the late fees were not charged.

The S&WB did not consistently follow its collections policy for handling delinquent accounts (totaling \$10.3 million) because S&WB employees and managers were not aware of this policy. Employees' inconsistent application of the collections policies delayed the collection of some past due accounts. For instance, one account was not sent to the collection agency until 104 days after the policy required that it be sent.

Auditors recommended that the S&WB implement a new billing and collection system. The S&WB expects to implement a new billing and collection system in the third quarter of 2016, and it anticipates that this system will resolve these

audit findings. S&WB managers should also take an inventory of all policies and communicate those policies to their employees.

The audit also includes the following findings:

- The S&WB owed customers approximately \$189,000 from customers' unclaimed deposits and overpayments. Managers did not notify these customers via certified mail as required by the law in place during the scope of the audit.
- S&WB managers could potentially save \$83,000 per year by switching to a lockbox system to process mailed in payments.

Based on these findings, auditors also made the following recommendations to the S&WB:

- S&WB managers should develop a policy regarding how to apply deposits and payments to customers' accounts.
- S&WB managers should perform a cost-benefit analysis to determine if using a lockbox would yield savings.

Given charges for service of approximately \$158 million in 2014 and the annual 10 percent rate increases through 2020, it is essential that the S&WB establish adequate internal controls to collect and use its resources in the most cost effective way. Effectively designed and implemented internal controls will help management achieve its mission to provide services and information at a reasonable cost.