

OIG IN BRIEF

Why the OIG Did This Report

On July 23, 2013, the OIG issued a performance audit titled “Sanitation Fees Collected by the Sewerage and Water Board” (2013 Report). The 2013 Report found that:

1. Neither the City nor the S&WB terminated sanitation or water services for those customers who did not pay their sanitation bill. As a result, sanitation billings exceeded collections by \$8.5 million in 2011 and \$3.1 million in 2010.
2. The billing and software system used to bill and collect sanitation fees was developed by the S&WB and was in use since 1987. The system was unreliable and unable to store and compile critical data such as detailed aging reports and historical data.
3. The City charged an incorrect late penalty to 81.3 percent of past due customers.
4. The City did not review sanitation adjustments to determine if the adjustments were valid.

The City and the S&WB have an obligation to bill and to collect monies for all services rendered. The OIG conducted this follow-up to determine the extent to which the City and the S&WB implemented the OIG’s recommendations or implemented their own corrective actions to resolve the findings and observations noted in the 2013 Report.

A follow-up to the S&WB and the City, August 10, 2016.

View OIG [report](#) AD-15-0007. For more information contact Erica Smith at (504) 681-3200 or esmith@nola.ig.gov.

Sanitation Fees Collected by the Sewerage and Water Board of New Orleans (S&WB) – Follow-up Report

What the OIG Found

The S&WB and the City of New Orleans (City) entered into a Cooperative Endeavor Agreement (CEA) which allowed the S&WB to terminate water service for delinquent sanitation customers. Despite the CEA, the City did not request the S&WB to terminate water service for any delinquent customers. On behalf of the City, the S&WB billed its customers \$41.9 million in sanitation fees during 2014 and approximately \$7.0 million was not collected.

If the 2014 uncollected sanitation fees are also an indication of uncollected sanitation fees in 2012 and 2013, then the City potentially lost in excess of \$20 million from 2012 through 2014.

The S&WB expects to replace the Customer Account Maintenance (CAM) System with the Cogsdale Customer Service Management (CSM) System in the fourth quarter of 2016.

Once implemented, the S&WB will apply customer payments to sewer, water, and sanitation charges proportionally, instead of first applying payments to water and sewer charges. If a customer remits a partial payment, all unpaid water, sewer, and sanitation charges will become past due simultaneously. This change will eliminate customers’ incentive to make partial payments with the intent of avoiding payment of sanitation fees.

S&WB managers also asserted that the CSM System will allow them to generate a detailed aging report and historical data for any point in time. The CSM System will also store more than 18 months of data.

Instead of assessing the late penalty prescribed in the City Code, the City revised the Code which reduced the late penalty assessed to past due customers.

Instead of assessing a 15 percent late penalty on the outstanding balance of all sanitation charges as previously required in the Code, the City revised the Code and requires a 15 percent late penalty to be charged on the outstanding *current* portion of the sanitation fees. The revised penalty reduces the incentive for customers to pay their accounts on a timely basis. The late penalties totaled \$117 for the 25 accounts tested. Under the previous Code, the assessed late penalties would have totaled \$2,412.

The City issued \$1.4 million in sanitation adjustments in 2014, but it did not have adequate controls over the adjustment process to determine if the sanitation adjustments were valid.

The City did not have adequate segregation of duties because the same employee issued and reviewed sanitation adjustments. Adequate segregation of duties is necessary to mitigate fraud risks and errors. The City has a responsibility to ensure that all sanitation adjustments are valid and to ensure customers are billed for all services rendered.