

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

August 11, 2016

New Orleans City Council
1300 Perdido Street
New Orleans LA 70112

Subject: Proposed Ordinances

I am writing to provide comments on M-16-328 and M-16-329, which would approve a Special Rate of Pay for the Sewerage & Water Board and raise the annual limit on overtime from 415 hours to 750 hours.

With respect to M-16-328, the standby pay with no restriction on an employee's movements or activity is the subject of long-standing opinions by the state Attorney General. All of them say that with no restrictions on the employee, paying the employee is an illegal donation of public funds contrary to the Louisiana Constitution.

With respect to M-16-329, raising this limit from 415 to 750 hours, which is a 45% increase for all City employees. An employee would have to work 2 hours of overtime per day for 365 days to reach 750 per year. There must have been a rationale for the 415 hours, so the reason for these actions is unclear.

This Office issued a report of audit of the payroll system at S&WB, and found that the internal controls on overtime were inoperative. The S&WB response was to eliminate the controls entirely.

The OIG issued an audit report on Sewerage & Water Board payroll in August 2015. The following is extracted from the executive summary to that report:

"Rules of the Civil Service Commission for the City of New Orleans (Civil Service Rules) limit employees to 416 hours of overtime per year. Civil Service Rules also prohibit standby pay unless an employee is so restricted that they cannot effectively use their time for personal purposes. The S&WB paid approximately \$4.5 million to employees in violation of Civil Service Rules. Of the \$4.5 million paid, \$3.0 million was paid to employees who worked more than 416 hours of overtime per year, and \$1.5 million was paid to employees who were "on-call". Lack of overtime monitoring and proper budgeting controls resulted in the disbursement of \$4.5 million of unallowed overtime and standby pay. Overtime and standby pay significantly supplemented employees' base salaries. Employees whose base salaries ranged from approximately \$40,000 - \$50,000 per year earned an additional \$60,000 - \$70,000 per year and, thus, accumulated pay in

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excess of \$100,000 per year. The S&WB spent \$9.4 million on overtime pay, more than double its \$4.6 million overtime budget in 2013. S&WB employees also earned three times the amount of overtime as employees in Jefferson Parish's Water Department (Jefferson Parish)."

Please be advised that there is a very high risk of payroll fraud at the Sewerage & Water Board. Moreover, the consent decree for the NOPD has limitations on overtime and it is unclear why these motions seek to increase overtime. The limits were imposed to reduce the probability that a tired police officer makes a wrong decision.

For these reasons, I recommend that the Council defer action until the S&WB establishes effective controls over its payroll.

A handwritten signature in blue ink, appearing to be 'E. Quatrevaux', is written over the text of the recommendation.