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OIG FOUND THE SEWERAGE AND WATER BOARD DONATED PUBLIC FUNDS IN ADMINISTRATIVE HEARINGS

The Office of Inspector General (OIG) for the City of New Orleans concluded the Sewerage and Water Board (S&WB or “the Utility”) violated the state constitution and state legislation by adjusting customer bills in situations where there was no fault on the part of the utility.

In 2015, the Louisiana legislature gave the S&WB the authority to adjust customer bills when the utility caused an error in the bill due to faulty equipment or failure to read meters properly. The utility could also adjust bills for customers who qualified for assistance through an established program for social aid or when there was a leak on customer property due to unexpected damage or an extreme weather event.

The Louisiana Attorney General (AG) published several opinions on the subject of leaks on customer property, consistently stating public water companies violated the state constitutional prohibition against the donation of public funds if they adjusted bills due to leaks on private property. The AG’s opinion(s) only wavered in those instances where the damage was caused by a natural disaster. The OIG found that, despite the AG’s interpretation of the law, the S&WB adopted and implemented policies to adjust bills due to leaks on private property. Utility officials stated the AG’s opinions were not binding and therefore, not applicable to the S&WB.

The OIG also found that the S&WB violated standard protocols for administrative hearings by allowing customers to participate in unwarranted rehearings. The Louisiana Administrative Procedures Act (APA) stated that disputes should be reheard if there was new evidence to be discussed, the ruling was contrary to law, or there was other good reason to rehear the case. While the S&WB adopted policies consistent with the APA, several S&WB employees stated that customers requested and were granted rehearings simply because they did not agree with the outcome of their hearing. Further, customers “shopped around” for hearing officers they felt would be more favorable towards their case. The rehearings placed a strain on S&WB resources and potentially added to the number of adjustments provided. While S&WB executives did not agree with this finding, and only partially accepted the corresponding recommendation, the OIG is encouraged that the agency has already begun to implement recommended changes.

The OIG also found the S&WB failed to prioritize and use hearing data to inform decision making in the development of policies and for continuous evaluation of the program. S&WB hearing officers and customer service representatives stated, and OIG data analysis confirmed, that nearly 90% of hearings resulted in a bill adjustment. However, S&WB executives seemed unaware of the magnitude of adjustments, even though they had access to the information.

Inspector General Derry Harper stated: “Our evaluation of the S&WB’s dispute resolution process identified several areas of concern in the administration of the program that should be immediately addressed; mainly, avoiding the donation of public funds for water leakages for which they have no



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obligation to uphold. Further, the remaining issues can be resolved by ensuring appropriate oversight and management operations of the utility's administrative procedures for customer rehearings.”

| *Inspector General Derry Harper is available for interviews on Thursday, June 4, and Friday, June 5.*