

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted a performance audit of the payroll internal controls of the Sewerage and Water Board of New Orleans (S&WB) for the period January 1, 2013 through December 31, 2013.

S&WB management and employees cooperated with the OIG staff during the performance audit. S&WB management acknowledged the findings documented in this report and was forthcoming in helping to identify causes for the findings. Management acknowledged its responsibility to implement and monitor internal controls for overtime authorization and budgeting and asserted that they are in the process of developing these controls.

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 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).

S&WB management should develop monitoring and budgeting controls to ensure that employees are working within the overtime limits permitted by Civil Service and within their approved budget. S&WB management should evaluate its crew size and required staffing levels to ensure that employee workloads are efficient so that employees are not required to be “on-call”.