

OIG IN BRIEF

Why the OIG Did This Report

The Sewerage & Water Board is responsible for constructing, controlling, maintaining, and operating the public water, sewerage, and public drainage system in Orleans Parish and establishing the water and sewerage rates charged to customers.

On January 1, 2013, sewerage and water rates increased 10 percent and will increase 10 percent each year until the year 2020. These rate increases are funded by customers and expected to generate an additional \$583 million by 2020. The additional revenues will be used to repair the aging infrastructure and to fund S&WB day-to-day operations.

Lack of oversight and the violation of policies provide the opportunity for fraud, waste, and abuse of payroll within the S&WB. Given the S&WB's responsibilities, operating expenses of approximately \$188 million per year, and the additional \$583 million in customer funding from future rate increases, it is important for the S&WB to use its resources in the most cost-effective way. Toward that end, the OIG wanted to find out if the S&WB's payroll controls were sufficient and operating effectively and whether overtime and standby pay were cost effective.

A report to the Sewerage & Water Board of New Orleans, August 19, 2015.

View OIG [report](#) AR 14-0006. For more information contact Erica Smith at (504) 681-3200 or esmith@nolaog.org.

Sewerage & Water Board (S&WB) Payroll

What the OIG Found

The S&WB incurred a total of \$4.5 million in unauthorized overtime and standby pay in 2013 because it disregarded the Rules of the Civil Service Commission for the City of New Orleans (Civil Service Rules) and did not have adequate oversight of its payroll or meaningful budgeting practices. The S&WB spent \$9.4 million on overtime, more than double its \$4.6 million overtime budget.

Civil Service Rules limited S&WB employees to 416 hours of overtime per year. It also prohibited standby pay for employees who were "on call" unless being on call prohibited employees from effectively using their time for personal purposes. Attorney General Opinion 15-0048 underscored this rule when it determined that the use of standby pay was a violation of the Louisiana Constitutional prohibition on the donation of public funds when employees' use of on-call time was not restricted. Of the \$4.5 million the S&WB paid \$3.0 million to employees for overtime in excess of 416 hours per year, and \$1.5 million in standby pay to employees who were "on call" in violation of Civil Service rules.

Thirty-two employees earned standby pay, but they never earned overtime. Because those employees were never called in to work, auditors questioned why those employees needed to be "on call." Additionally, the S&WB did not restrict employees' time to the extent that it could not be used for personal purposes. Employees were able to conduct personal business, such as running errands and even sleeping. S&WB paid \$1.5 million to employees in violation of the Louisiana Constitution.

In many cases, employees either worked or were on "on call" for an impossible number of hours per day: one employee worked or was "on call" for 26.5 hours per day, every day during 2013; other employees worked 19-24 hours every day during a single calendar year.

Overtime and standby pay significantly supplemented employees' base salaries. Employees whose base salaries ranged from approximately \$40,000 to \$50,000 per year earned an additional \$60,000 to \$70,000 per year, increasing their total pay to over \$100,000 per year.

What the OIG Recommended

S&WB management should develop and implement overtime monitoring and budgeting controls to ensure that employees are working within overtime limits permitted by Civil Service and within their approved budget.

Standby pay should be discontinued. S&WB management should evaluate its crew size and required staffing levels to ensure that employee workloads are efficient so employees are not required to be "on-call" and to allow more work to be paid as straight-time.

Determining optimal workforce and staffing assignments will help management to forecast and budget for overtime accurately. Management should also compile and review a plan of projected overtime usage each month. Finally, management should require supervisors to preapprove overtime so that supervisors can make staffing adjustments to minimize overtime.