

March 26, 2024

Ghassan Korbin, Executive Director
Sewerage and Water Board of New Orleans
625 St. Joseph Street
New Orleans, LA 70165

Director Korban:

The New Orleans Office of Inspector General (OIG) received an anonymous complaint alleging that 12 Sewerage and Water Board of New Orleans (S&WB) employees were not paying their S&WB bills. OIG investigators obtained and reviewed information concerning account numbers, billing histories, hearings, disputes, and all correspondence regarding the 12 employees' accounts for the period January 1, 2021, through April 27, 2023. OIG investigators determined four of the 12 employees were still employed by the S&WB and had delinquent account balances exceeding \$500 as of July 2021. The four identified S&WB employees had outstanding account balances ranging from \$1,992.64 to \$4,433.07. The total outstanding account balance for the four identified employees was \$13,136.11.

OIG Investigators met with S&WB officials and determined that the S&WB had an established procedure to collect delinquent amounts owed to the S&WB. However, due to staffing shortages, the S&WB was unable to effectively implement this policy. Additionally, the S&WB issued a moratorium on shutting off water service in March 2020 in response to the COVID-19 pandemic. On July 7, 2021, the S&WB announced it was ending the moratorium and would be reinstating the water shut-off policy for customers, including S&WB employees, with delinquent accounts. The S&WB began sending water shut-off notices to customers with delinquent accounts.

Per S&WB water shut-off policy, customers, including S&WB employees, with delinquent accounts can avoid having their water shut off by agreeing to a payment plan. S&WB customers with a billing dispute also enter a payment plan in order to avoid having their service shut off while the billing dispute is investigated. If the customer misses two payments after entering the payment plan, the payment plan will be canceled and the customer becomes subject to a service disconnect. However, S&WB customers receiving a disconnect notice have the option of

contacting the S&WB to be placed into another payment plan, thus avoiding their service being disconnected. S&WB management explained to OIG investigators that customers can "play the system" by getting on and off payment plans.

The OIG's review of the customer accounts of S&WB employees determined that none of the four identified S&WB employees with delinquent accounts had contested their water bills. At the time of the OIG's review, the S&WB had approximately 1,100 employees. As of January 2022, there was only one case where a S&WB employee with a delinquent balance contested their water bill. Federal and State law prohibits employers from requiring their employees to pay for services outside of the standard billing options. In accordance with these laws, the S&WB cannot compel its employees to pay their delinquent account balances beyond its billing policies for all S&WB customers.

S&WB officials acknowledged that service disconnections have been almost non-existent even after the S&WB ended its water shut-off moratorium in July 2021. S&WB officials stated the City Council had been vocal in requesting customers' water service not be disconnected during the pandemic. The disconnection policies for S&WB customers were the same for all S&WB customers, including S&WB employees. As a result of the S&WB's suspension of water service shut-offs during the pandemic, it could be presumed that S&WB customers, including S&WB employees, realized if they did not pay their bills, no disconnections would be initiated.

The OIG's investigation of the four identified S&WB employees found they were continuously employed by the S&WB during the pandemic, which was confirmed by the S&WB. OIG investigators noted that all four employees had delinquent water service accounts prior to March 12, 2020, when the S&WB announced that it "suspended water service shut-offs and will adhere to this policy change for the declared emergency in response to the pandemic."

According to S&WB officials, the four identified employees with delinquent accounts received a "Delinquent Notice" advising them they were "eligible for service disconnection." The S&WB subsequently placed the employees in a payment plan for their delinquent accounts. By entering into the S&WB's payment plan, the four S&WB employees with delinquent accounts were removed from the S&WB's service disconnection list. It should be noted that this payment plan was not specific to S&WB employees but was an existing S&WB policy for all S&WB customers with delinquent accounts.

During the course of the OIG's investigation, the S&WB issued a Family and Co-Worker Account Handling policy for S&WB employees, effective July 3, 2023. The new policy established procedures for S&WB Revenue Management Employees and their supervisors when handling S&WB employee accounts, including those with unpaid balances. The policy required S&WB Revenue Management Employees to inform their supervisors whenever they were assigned an

S&WB employee account and required supervisors to identify those employee accounts and review them within 24 hours to ensure S&WB policy was followed.

In addition to establishing procedures for reviewing S&WB employee accounts with unpaid balances, the Family and Co-Worker Account Handling Policy prohibited S&WB Revenue Management Employees from making transactions on the accounts of their family members or S&WB co-workers without properly documented authorization from their supervisors. The policy listed examples of such transactions, which included billing adjustments, payment extensions, and special payment arrangements. The policy also required all S&WB employees to sign an acknowledgment that they “have read this policy carefully, and understand the requirements, expectations of said policy, and understand the consequences of failing to comply.”

At the time the S&WB implemented the Family and Co-Worker Account Handling policy, two of the four S&WB employees identified by OIG investigators had paid down their balances to levels within the acceptable range of the payment plans for their delinquent accounts. One of these employees retired in December 2021 during the course of the investigation. The other two S&WB employees had outstanding balances that exceeded the parameters of their payment plans. The outstanding balances for those two employees continued to increase after those two employees signed the acknowledgment, they had read the S&WB Family and Co-Worker Account Handling Policy and understood the requirements, as well as the consequences of failing to comply. S&WB officials affirmed to OIG investigators that those two employees are no longer employed by the S&WB. Since their separation, the former employees’ delinquent accounts will be handled per the S&WB’s standard customer billing practices.

Subsequent to the implementation of the Family and Co-Worker Account Handling policy, the S&WB informed OIG investigators that it had terminated an employee after determining the employee adjusted the water bills of her account, her husband's account, and her mother's account. This was the only employee identified that had engaged in this practice. The identification of this employee was a result of a proactive effort on behalf of the S&WB. The S&WB billing program does not allow an automated search, requiring the S&WB to manually review each employee’s account. Manual searches of S&WB employee’s water service accounts would be extremely time-consuming and manpower intensive, but the S&WB will continue to review employee accounts when necessary and as time permits.

Conclusions

The OIG’s investigation identified four S&WB employees that had consistently failed to make payments to their accounts after the S&WB announced a water shut-off moratorium in March 2020. The four identified employees were fully employed by the S&WB throughout the shut-off moratorium, which the S&WB ended in July 2021. OIG investigators noted that those four

employees' water service accounts were delinquent prior to the 2020 shut-off moratorium and remained delinquent through July 2023 when the S&WB implemented the Family and Co-Worker Account Handling policy. OIG investigators verified that none of the four identified S&WB employees' accounts were delinquent due to a contested water bill.

During the course of the OIG's investigation, the S&WB implemented the Family and Co-Worker Account Handling policy, effective July 2023. This policy established procedures for handling the accounts of S&WB employees and family members, as well as disciplinary actions for S&WB employees who did not comply with the policy. OIG investigators verified that the policy had been implemented for all S&WB employees. OIG investigators also confirmed the policy included written procedures to ensure delinquent S&WB employee accounts, such as the four identified in this investigation, were reviewed by S&WB Revenue Management Employees and their supervisors, and the reviews were properly documented. The policy also addressed other concerns with employee accounts identified by S&WB management, such as S&WB employees adjusting the accounts of their family members and co-workers without proper authorization. The policy required the following of S&WB Revenue Management Employees and their supervisors when handling the accounts of family and co-workers:

“Supervisors must rigorously enforce this policy so that our employees avoid even the slightest appearance of impropriety in handling S&WBNO funds. Supervisors will be held accountable for failure to document appropriately. Revenue Management Employees are also prohibited from making transactions on their family or coworker's accounts without proper written authorization.”

The S&WB's implementation of the Family and Co-Worker Account Handling policy has yielded positive results. Before implementing this policy, the S&WB did not review the customer accounts of its employees for delinquencies and other potential abuse. S&WB officials provided supporting documentation that the outstanding accounts of S&WB employees have decreased significantly after all employees signed the form acknowledging that they read the requirements and expectations of the Family and Co-Worker Account Handling policy and understood the consequences of failing to comply. The policy should be seen as an encouraging step forward in the S&WB's ongoing efforts to collect lost revenue from delinquent accounts.

However, OIG investigators noted that S&WB customers, including employees, who receive S&WB disconnect notices may circumvent and "play the system" by initiating and terminating payment plans with the S&WB to avoid their service being disconnected.

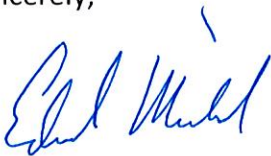
Recommendations

Based on its investigation of delinquent S&WB employee accounts, the OIG recommends the following to ensure the S&WB's Family and Co-Worker Account Handling policy is implemented efficiently and effectively:

- The S&WB should continue reviewing employees' accounts to ensure compliance with the Family and Co-Worker Account Handling policy.
- The S&WB should review and update the Family and Co-Worker Account Handling policy on at least an annual basis to ensure the procedures outlined in the policy have been properly implemented and are operating effectively.
- All S&WB employees should sign an annual acknowledgment that they have read the Family and Co-Worker Account Handling Policy and understand the requirements, as well as the consequences of failing to comply.

Additionally, the S&WB should establish a limit on the number of times S&WB customers, including S&WB employees, can enter and exit payment plans without fully paying the outstanding balance of a delinquent account. Establishing such a limit will ensure that S&WB customers, including employees, pay their outstanding balances and prevent customers from avoiding disconnections by initiating and terminating payment plans. The S&WB should continue to work with all customers with outstanding balances to ensure compliance with the most current policies. As stated on the S&WB website, "If a customer suspects an incorrect water, sewer, or sanitation charge, they can initiate a bill complaint to have the issue investigated." If the customer has what they consider an unsatisfactory judgment from the S&WB hearing officer, the customer may then appeal the disputed bill to the New Orleans City Council.

Sincerely,

A handwritten signature in blue ink, appearing to read "Edward Michel".

Edward Michel, CIG
Inspector General