

July 22, 2024

Ghassan Korban, Executive Director  
Sewerage & Water Board of New Orleans  
625 St. Joseph Street  
New Orleans, LA 70130

RE: Sewerage Service Charge Billed to Sewerage & Water Board Customers

Dear Mr. Korban:

The Office of Inspector General (OIG) is authorized to comment on rules, regulations, policies, procedures, and transactions for the purpose of preventing fraud, waste, and abuse or promoting efficient and effective government.<sup>1</sup> The New Orleans City Council recently announced a Request for Proposals to hire an independent accounting firm to oversee the Sewerage & Water Board's (S&WB) billing process and billing complaints for a period of 12 to 18 months.<sup>2</sup> The announcement reflects the recognized need for S&WB to make corrective actions specific to its billing process to ensure that customers are billed accurately and S&WB promptly investigates and resolves any inaccuracies. This letter focuses on the sewerage service charge (Sewer Volume Charge) included on S&WB customers' monthly bills. The OIG found that S&WB is not recording the Sewer Volume Charge accurately on many bills. As a result, a significant number of S&WB customers are being overcharged.

In April 2024, the OIG received a complaint from a S&WB customer regarding the accuracy of the Sewer Volume Charge on their monthly bill. The customer reported their Sewer Volume Charge was applied at a rate of 100% of their metered water consumption, contrary to the 85% rate specified by S&WB. S&WB billing policy for calculating the Sewer Volume Charge for residential customers stated the following:

All Residential and Public Housing Class volume charges are applied to 85 percent of the metered consumption, allowing 15 percent of water use for lawn watering and other uses which contribute no flow to the sanitary sewer.<sup>3</sup>

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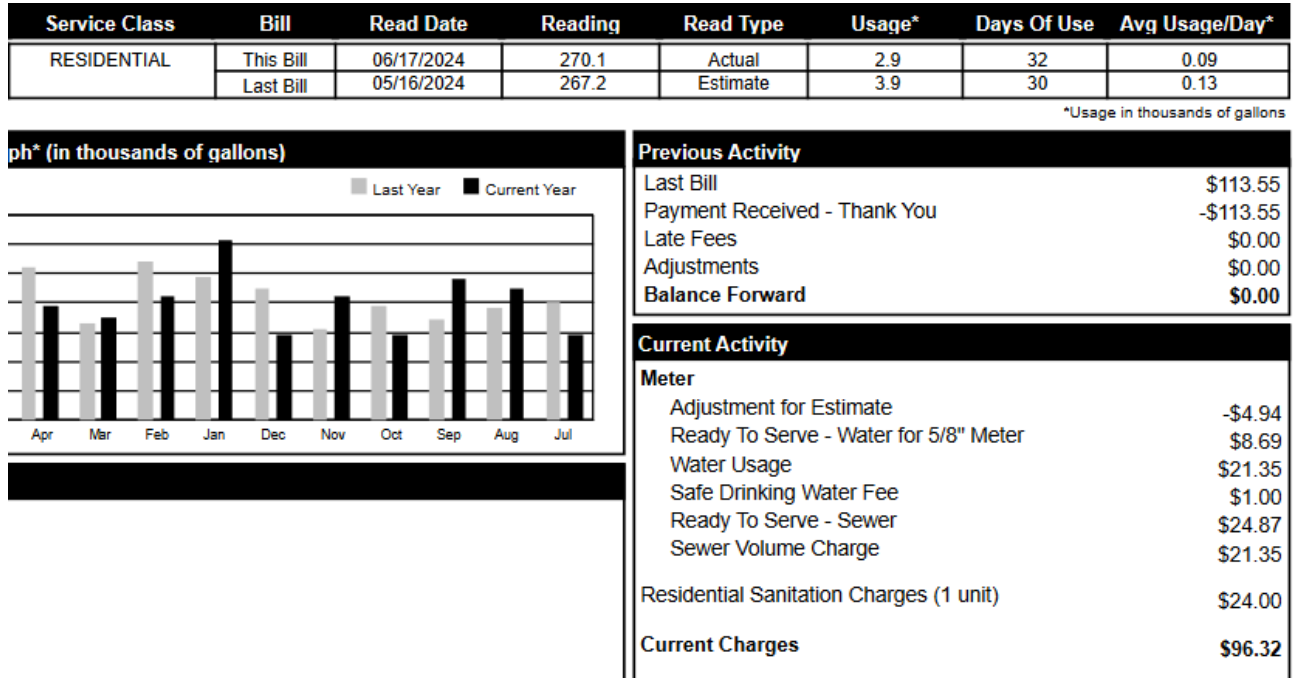
<sup>1</sup> Home Rule Charter of the City of New Orleans Article IX, § 9-401(2); City Code Section §2-1120(10)(f).

<sup>2</sup> "City Council Announces RFP for Accounting Firm to Oversee SWBNO Billing Complaints." New Orleans City Council, June 13, 2024. <https://council.nola.gov/news/june-2024/city-council-announces-rfp-for-accounting-firm-to/>.

<sup>3</sup> <https://www.swbno.org/CustomerService/RatesFeesAndCharges>.

The S&WB determines the Sewer Volume Charge for residential customer accounts based on their water usage for the same billing period. Residential customers are billed at a rate of \$8.66 per 1,000 gallons of their monthly water usage, which is then multiplied by 85%.<sup>4</sup> As shown on the sample S&WB bill in Figure 1, a residential customer whose bill displays a monthly “Usage” of 2.9 (in thousands of gallons) should have a Sewer Volume Charge of \$21.35 for that month if the correct 85% rate was applied.

**Figure 1.** Sample S&WB Bill with Correct Sewer Volume Charge Calculation



The OIG obtained a listing of all S&WB residential customer accounts billed during the month of March 2024. The listing consisted of the bills for 130,189 residential customer accounts, totaling \$15,781,110, as shown in Figure 2. To verify S&WB accurately billed residential customers for their Sewer Volume Charge, the OIG randomly selected a sample of 93 bills from the March 2024 listing, totaling \$12,148.

**Figure 2.** Testing Population of March 2024 Bills and Sample Selected for Testing

	Total Population March 2024 Bills	OIG Sample Selected for Testing
Total Number of Bills	130,189	93
Total Dollar Amount	\$ 15,781,110	\$ 12,148

<sup>4</sup> Sewer Volume Charge = Usage (in thousands of gallons) x \$8.66 x .85.

The OIG found S&WB overbilled three (3.2%) of the 93 customer accounts tested. The three customers were all billed at 100% of their metered consumption instead of the correct 85% rate used to calculate Sewer Volume Charge for residential accounts. Collectively, the three accounts were overbilled a total of \$61 for the Sewer Volume Charge on their March 2024 bills. The \$61 amount the three accounts were overbilled was 0.5% of the \$12,148 total of the 93 bills selected for testing. When the same 0.5% error is applied to the entire population of bills received by residential customer accounts for the month of March 2024, which totaled \$15,781,110, it is estimated that S&WB may have overbilled customers \$79,139, which would amount to \$949,663 over a 12-month period, as shown in Figure 3.

**Figure 3.** Analysis of Exceptions Noted During Testing

Exception Noted During Testing	Number of Exceptions	Dollar Amount of Exceptions	Percent of Error	Estimated Dollar Amount of Error Applied to Entire Population (March 2024 Bills)	Estimated Dollar Amount of Error for March 2024 Applied to Entire Year
Account Billed at 100% Rate	3	\$61	0.5%	\$79,139	\$949,663

For the total population of 130,189 residential customer accounts that received a bill during the month of March 2024, the OIG projected that between 872 and 11,899 of those accounts were overbilled at the incorrect 100% rate for their Sewer Volume Charge.<sup>5</sup>

The S&WB agreed with the OIG’s finding that residential customer accounts were billed incorrectly for their Sewer Volume Charge for three of the 93 accounts selected for testing. S&WB stated the following when asked why the bills for those accounts were not accurate:

This is likely a result of a discrepancy in the billing system affecting these [three] accounts. We are in the process of crediting these accounts for the appropriate amounts. We have also engaged with our billing software vendor to identify the issue and provide a resolution.

The OIG’s finding concerning the Sewer Volume Charge is an example of the ongoing issues with S&WB’s billing process. The OIG recommends S&WB should conduct routine internal audits to verify customers receive accurate bills. Additionally, the OIG recommends the following to ensure S&WB customers are billed at the correct rate for their Sewer Volume Charge:

- S&WB should promptly determine the cause of the miscalculation for Sewer Volume Charge and verify that the problem is corrected.

<sup>5</sup> Based on a population size of 130,189 bills for the month of March 2024 and an observed number of three deviations in a sample size of 93, auditors were 95% confident that the population deviation rate was between 0.67% and 9.14%.

- S&WB should identify all customer accounts affected by the error and determine the correct amount customers should have been billed.
- S&WB should credit all customer accounts affected by the error.

The OIG also recommends that S&WB customers review their recent bills to verify they were billed correctly for their Sewer Volume Charge. Customers should contact S&WB to report any discrepancies. 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 you are not satisfied with the results of the investigation, you may request a hearing before our Administrative Hearing Officer.<sup>6</sup>

If S&WB customers believe they received an unsatisfactory administrative hearing judgment from S&WB, they may then appeal the disputed bill to the New Orleans City Council.<sup>7</sup>

In June 2024, S&WB reported that customer accounts delinquent over 30 days totaled approximately \$109 million at the end of the first quarter of 2024.<sup>8</sup> In order for S&WB to collect delinquent accounts efficiently and effectively, it must first ensure that customers are billed the correct amounts for their monthly usage.

Sincerely,



Edward Michel, CIG  
Inspector General

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<sup>6</sup> <https://www.swbno.org/CustomerService/BillDisputeAndAdjustments>.

<sup>7</sup> Pursuant to Ordinance No. [29278 M.C.S.](#), S&WB customers have the right to appeal their administrative hearing judgment to the New Orleans City Council within 45 days of the receipt of the judgment. <https://council.nola.gov/resources/swbno-customer-appeals/>.

<sup>8</sup> [https://cityofno.granicus.com/MetaViewer.php?view\\_id=42&clip\\_id=4861&meta\\_id=688515](https://cityofno.granicus.com/MetaViewer.php?view_id=42&clip_id=4861&meta_id=688515).