



DARYL G. PURPERA,
CPA, CFE

Report Highlights

Implementation of New Billing System and Oversight of Billing Processes

New Orleans Sewerage and Water Board

Audit Control # 40190011

Performance Audit Services • March 2020

Why We Conducted This Audit

We evaluated New Orleans Sewerage and Water Board’s (S&WB) implementation of its new billing system and oversight of its billing processes. We conducted this audit in response to House Resolution No. 174 of the 2019 Regular Legislative Session, which urged and requested the legislative auditor to review the circumstances surrounding S&WB’s letting, bidding, and awarding of contracts that pertain to its billing system and to review the implementation and oversight of its current billing system. The exhibit below shows the total cost for the new billing system through calendar year 2025.

S&WB Billing System Costs (Projected vs Actual) • Calendar Years 2012 through 2025

Project Component	Initial Projection	Actual Cost	Difference
Third Party Consultants (Langham/TMG)			
RFP development, Implementation Project Management and Quality Assurance, and Business Transformation	\$2,523,919	\$3,173,871	\$649,952
Cogsdale Corporation			
Software License	\$588,700	\$936,268	\$347,568
Software Implementation	2,956,605	2,763,980	(192,625)
Maintenance and Support	855,234	1,381,674	526,440
Change Orders		648,491	648,491
Total Cogsdale through 2020	\$4,400,539	\$5,730,413	\$1,329,874
Projected Cogsdale Maintenance through 2025	2,590,000	2,590,000*	
Total Cogsdale through 2025	\$6,990,539		
Total Billing System Costs through 2025	\$9,514,458	\$11,494,285	

*Anticipated future costs

Source: Prepared by legislative auditor’s staff using information provided by S&WB.

What We Found

Overall, we found that S&WB’s implementation of the new billing system caused problems, such as high customer bills and duplicate billings. Although some problems have been addressed, S&WB needs to strengthen oversight of its billing processes. Specifically, we found the following:

- **S&WB experienced multiple problems with the implementation of the new billing system, including delayed testing, limited data migration from the old system, and inadequate training, which led to billing errors.** S&WB did not have all processes related to the billing system defined prior to implementing the software, which made the implementation process more complex. In addition, staff did not understand their job processes well enough to apply the trainings in their day-to-day work.

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What We Found (Cont.)

- **S&WB does not consistently read all customer water meters each month, and its formulas to estimate water consumption are flawed. As a result, some customers received unpredictable bills. These weaknesses existed prior to, and were exacerbated by, implementation of the new billing system.** If S&WB invested in automatic meter reader technology and equipment, it would minimize the need for employees to manually read water meters each month.
- **S&WB paid consultants approximately \$1.7 million during calendar years 2017 through 2019 to identify the causes of the billing problems, implement solutions, and make recommendations for improvement. However, as of January 2020, S&WB has not implemented many of these recommendations.** One of these consultants was also required to develop new policies and implement additional software to improve customer service and reduce billing errors, but these tasks were not fully completed.
- **S&WB does not accurately calculate and track free water consumption and does not ensure all customer accounts eligible for free water are billed for consumption exceeding free water thresholds.** State law requires S&WB to provide free water and sewer services to public agencies and certain private entities. During fiscal years 2018 through 2019, we calculated that S&WB provided at least \$26.3 million in water and sewer services for free. As a result, S&WB is not collecting revenue that it could use to fund city services and make necessary capital improvements. We estimated the water value for each entity's consumption thresholds using January 2019 water rates at \$6.6 million during fiscal years 2018 through 2019. The exhibit below summarizes the amount of free water and sewer services S&WB was statutorily required to provide during fiscal years 2018 through 2019 based on actual usage for the City of New Orleans and the estimated value of water services based on January 2019 rates for entities with thresholds in law.

Free Water and Sewer Services Provided by S&WB • Fiscal Years 2018 through 2019			
Type of Entity	FY 18	FY 19	Total
City of New Orleans*			
S&WB**	\$7,513,360	(\$2,949,679)	\$4,563,681
Public Entities	3,489,510	11,671,706	15,161,216
Total Cost for City of New Orleans	\$11,002,870	\$8,722,027	\$19,724,898
Value of Services for Entities with Thresholds (Amounts are estimated)***			
Audubon Park and Zoological Society Cap	\$1,419,567	\$1,419,567	\$2,839,134
New Orleans Museum of Art Cap	16,260	16,260	32,520
City Park's Cap	1,391,929	1,391,929	2,783,858
New Orleans Schools Cap	480,799	476,860	957,659
Total Estimated Water Value for Capped Accounts	\$3,308,555	\$3,304,616	\$6,613,171
Total	\$14,311,426	\$12,026,643	\$26,338,069
*Figures could include meter reading errors because S&WB does not routinely verify the accuracy of reads for free water accounts. ** Including free water provided to contractors working on S&WB projects. ***These entities may not have met the consumption thresholds for each year. See Appendix B for methodology used to estimate water value. Source: Prepared by legislative auditor's staff using unaudited S&WB data			