



"RE-BUILDING THE CITY'S WATER SYSTEMS FOR THE 21ST CENTURY"

Sewerage & Water Board OF NEW ORLEANS

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Sewerage and Water Board Response to OIG Payroll Audit (January 1 – December 31, 2013)

Cedric Grant, Executive Director of S&WB:

S&WB Executive Management acknowledges the OIG's findings and is taking corrective actions to implement changes to its overtime management. S&WB has already developed and implemented overtime monitoring controls to ensure that employees are working within the overtime limits necessary to maintain continuous service and meet customer expectations for public health and property protection. Under Mayor Landrieu's leadership, the City has reigned in overtime costs across the board. As Executive Director of S&WB, I am equally committed to right-sizing this essential public utility so that it is run efficiently and in the best interests of our ratepayers and the public at-large.

S&WB has the vital mission of ensuring we have safe drinking water, fire protection and protecting homes and businesses from flooding. This is a 24-hours a day, 365 days a year operation that is absolutely essential to the health and welfare of our residents and visitors. All of the tasks necessary to providing vital round-the-clock water, sewer, drainage and public safety make overtime and standby a necessity.

- S&WB agrees with the OIG's recommendation to seek a waiver from the Civil Service Commission for employees to work more than the number of permitted overtime hours.
- S&WB is revising its 2015 Budget to reflect anticipated overtime levels and beginning an analysis of work schedules and crews sizes to ensure that jobs are not being over staffed.
- S&WB will also be seeking a waiver to permit standby pay so that personnel may continue to protect the integrity of the water, sewer and drainage system, which requires constant maintenance and upkeep.

IMPORTANT BACKGROUND:

- The audit period (Jan. 1 – Dec. 31, 2013) was before Cedric Grant was appointed as Executive Director of S&WB and before the new S&WB Board of Directors was constituted in summer 2014. Throughout this inquiry, S&WB current Executive Management met with the OIG and provided all requested payroll documentation.

- In 2014, S&WB responded to nearly 14,500 service requests. S&WB completed over 31,000 work orders, including 1,000 emergency requests. S&WB completed repairs to nearly 1,200 sewer mains, 1,500 water mains, nearly 10,000 water service requests, over 1,000 hydrants, and 1,100 valves. It also inspected and exercised all sewer valves, cleaned nearly 1.5 million feet of sewer mains, inspected 750,000 feet of sewer mains, and inspected over 8,000 sewer manholes.
- In 2015, S&WB is working on \$347 million in capital improvements.
- Over the last two years, overtime has increased as major projects have ramped up including \$1.7 billion SELA project and enhanced coordination with the City's \$280 Recovery Roads program.
- One area where overtime is being worked is meter reading. S&WB has an internal target to obtain meter readings on at least 98 percent of accounts each month. This work cannot take place during heavy rainfall or lightning events. Overtime is worked to ensure that customers' bills are accurate and not based on estimates. To reduce the need for manual meter readings, S&WB is moving to electronic metering.
- In some specific areas, S&WB is understaffed and is hiring and training right now. From time to time, skilled employees are required to work longer hours to ensure that water service is in full compliance with state and federal requirements.
- S&WB Executive Management has taken steps to aggressively train its workforce so that jobs can be performed more efficiently with a goal of reducing overtime.
- S&WB Executive Management is reviewing employees who work the most overtime to determine if this is related to understaffing or inadequate internal controls. Furthermore, S&WB Executive Management is now tracking and monitoring overtime within individual departments to ensure all qualified employees have the same opportunity for any available overtime. These internal controls are being strengthened so that prior approvals of overtime are being reviewed and dual signatures on timecards are required. In addition, S&WB Executive Management is disciplining for poor performance, including dismissing employees who do not uphold our increasing standard of excellence.

OIG AUDIT

Audit Finding 1:

Approximately \$3.0 million of overtime was paid to employees in violation of Civil Service Rules.

OIG Recommendation:

S&WB should develop and implement overtime monitoring controls to ensure that their employees are working within the overtime limits permitted by the Civil Service Commission. S&WB can also request a waiver from the Civil Service Commission if it is necessary for employees to work more than the permitted overtime hours.

S&WB Response:

S&WB agrees with the OIG's recommendation and will seek a waiver from the Civil Service Commission for employees to work more than the number of permitted overtime hours.

The maintenance, upkeep and improvement of S&WB's infrastructure is complex, requiring constant vigilance and a dedicated staff of experienced personnel. S&WB's work is highly regulated and it requires a highly skilled workforce. The community's expectations are higher for them than any other utility service provider because of its role in public health, fire protection and flood protection. S&WB personnel must be certified in a number of areas including water distribution, water purification, wastewater collection and wastewater treatment. Additionally, there are other skilled positions such as welders, power plant operators, machinists, electricians, inspectors and plumbers. S&WB is staffed around the clock to respond to any type of situation or emergency. In keeping with the EPA consent decree, S&WB maintains a standard responding to customer requests within 2.5 hours.

S&WB is joining other public agencies that have similar round-the-clock public safety responsibilities to request a waiver from the Civil Service Commission by December 31, 2015 to permit overtime hours necessary to maintain continuous water, sewer, and drainage services.

During the course of working with the OIG on this audit, S&WB Executive Management has already developed and implemented overtime monitoring controls to ensure that employees are working within the overtime limits necessary to maintain continuous service and meet customer expectations for public health and property protection.

Audit Finding 2:

S&WB Management did not effectively budget for and monitor overtime. The S&WB incurred \$9.4 million in overtime pay. The S&WB exceeded its \$4.6 million overtime budget by \$4.8 million.

OIG Recommendation:

Overtime budgeting and monitoring controls should be designed and implemented. Work schedules and crew sizes should be analyzed, monitored, and adjusted to allow for accurate budgeting. Management should communicate procedure expectations and consequences of violating S&WB policies to its employees.

S&WB Response:

S&WB Executive Management acknowledges the finding, agrees with the recommendation and will revise the 2015 Budget by September 30, 2015 to reflect anticipated overtime levels. During the course of this audit, S&WB Executive Management had already developed and implemented overtime monitoring controls. Work schedules and crew sizes will be analyzed with consideration for adjustment by June 30, 2016. S&WB Executive Management will communicate procedure expectations and consequences for violating S&WB policies to employees by September 30, 2015.

Audit Finding 3:

S&WB employees received standby pay of approximately \$1.5 million in 2013. The standby pay earned was in violation of Civil Service Rules.

OIG Recommendation:

Standby pay should be discontinued.

S&WB Response:

S&WB Executive Management acknowledges the OIG's finding but disagrees with the recommendation. S&WB will seek a waiver from the Civil Service Commission by December 31, 2015 to permit standby pay necessary to maintain continuous water, sewer and drainage services.

On Background:

- Over the last two year, S&WB has seen extensive reforms to its governance and operations. In the last year, a new Board of Directors was seated representing a cross-section of well-qualified residents committed to overseeing this essential public utility.
- In addition, Cedric Grant was appointed as the new Executive Director twelve months ago. Under his leadership and in full cooperation with the City of New Orleans, a new Integrated Infrastructure Management System has been implemented to coordinate all infrastructure projects and repairs to ensure that they are performed properly and in a timely manner. Now, for the first time, S&WB and Department of Public Works engineers are working in the same room, reviewing the same plans.
- Through the rate increase approved by City Council in 2012, bond rating upgrade and bond sale this year, S&WB capital improvement program is fully funded for the first time in 25 years.
- Right now, S&WB is gearing up to begin a \$3.3 billion infrastructure improvement program. This is comprised of over 600 projects that will create 25,000 construction jobs and over 200 permanent jobs for local labors and skilled craftsmen.

- This work is being paired with the City's \$1 billion recovery program creating a once in a lifetime opportunity to build a stronger, more resilient New Orleans.
- To complete this work, S&WB is recruiting and training the next generation of certified water infrastructure personnel, including a partnership with GE Foundation, Delgado and JOB1.
- And with the City, S&WB is continuing to negotiate with FEMA on Hurricane Katrina-related damages to roads and infrastructure.
- S&WB is committed to improving customer service and performance. Earlier this year, as part of the Integrated Infrastructure Management System with the City, www.roadwork.nola.gov was launched to track the progress of roadwork projects and infrastructure improvements across the city.
- S&WB has also improved its telephone call center which has reduced wait times and dropped calls.
- A new customer service center has been opened in Algiers and looking into opening one in New Orleans East.
- Today, more low-income elderly and handicapped customers are receiving assistance with their bills through the Water Help Program and many of those same customers are receiving assistance on repairing leaking service lines through the Plumber Help Program.
- To improve efficiency and reduce costs, S&WB is implementing a new online billing system and new electronic metering.