

STATUS UPDATE: IMPLEMENTATION
OF NEW BILLING SYSTEM

NEW ORLEANS SEWERAGE AND WATER BOARD



PERFORMANCE AUDIT SERVICES
ISSUED MARCH 17, 2021

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

**TEMPORARY LEGISLATIVE AUDITOR
THOMAS H. COLE, CPA, CGMA**

**ASSISTANT LEGISLATIVE AUDITOR
FOR STATE AUDIT SERVICES
NICOLE B. EDMONSON, CIA, CGAP, MPA**

**DIRECTOR OF PERFORMANCE AUDIT SERVICES
KAREN LEBLANC, CIA, CGAP, MSW**

**FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT
EMILY DIXON, PERFORMANCE AUDIT MANAGER,
AT 225-339-3800.**

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LOUISIANA LEGISLATIVE AUDITOR

March 17, 2021

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives

Dear Senator Cortez and Representative Schexnayder:

This report provides the results of our status update of the New Orleans Sewerage and Water Board (S&WB). The purpose of this audit was to provide an update on whether S&WB has implemented recommendations we made in our March 2020 report and to provide information on S&WB governance and future oversight possibilities.

The purpose of our initial audit was to evaluate S&WB's implementation of a new billing system and its billing process oversight. Overall, we found implementation of the new billing system caused problems, such as unusually high customer bills and duplicate billings. We also found the Board needed to strengthen its oversight of billing processes.

We made 11 recommendations in our March 2020 report, 10 of which S&WB agreed with. In our current report, we found that S&WB has fully implemented three of the recommendations and is working on the other eight.

In addition, we noted that S&WB's multi-faceted governance structure creates challenges in trying to ensure the agency is accountable and effective. However, changing its governance structure would require legislative action and possibly changes to New Orleans' City Charter.

Options for a change in governance structure include creating a city sewerage and water department that would be fully under the City's administration or giving S&WB more control over its finances and rate setting so it has more autonomy. S&WB also could pursue privatization of its operations, or it could become a public benefit corporation similar to the French Market Corporation.

The report contains our findings, conclusions, and recommendations. I hope this report will benefit you in your legislative decision-making process.

The Honorable Patrick Page Cortez,
President of the Senate
The Honorable Clay Schexnayder,
Speaker of the House of Representatives
March 17, 2021
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We would like to express our appreciation to S&WB for its assistance during this audit.

Respectfully submitted,



Thomas H. Cole, CPA, CGMA
Temporary Legislative Auditor

THC/aa

Louisiana Legislative Auditor



Status Update: Implementation of New Billing System New Orleans Sewerage and Water Board

March 2021

Audit Control # 40210009

Introduction

We conducted this review to provide an update on the status of New Orleans Sewerage and Water Board's (S&WB) implementation of recommendations we made in the March 2020 audit report, *Implementation of New Billing System and Oversight of Billing Process*.¹ In addition, we also reviewed S&WB's governance structure and identified possibilities for future oversight. Addressing billing issues is important because S&WB customers have recently reported receiving high and/or inconsistent bills from S&WB. In addition, S&WB has a unique governance structure as it is created in state law as an independent entity of the City of New Orleans.

In our March 2020 performance audit, we made **11 recommendations** to S&WB. It agreed with 10 recommendations and disagreed with one. See Appendix C for all recommendations and S&WB management's responses.

S&WB was authorized in 1899 by the Louisiana Legislature to furnish, construct, operate, and maintain a water treatment and distribution system, as well as a sanitary sewerage system for New Orleans.² In July 2014, S&WB signed three contracts with Cogsdale Corporation (Cogsdale) for the new billing system including a Software License Agreement, a Software Implementation Agreement, and a Support and Maintenance Agreement. The total amount of the three contracts, including five years of maintenance and support, was \$4,400,539; however, change orders and additional software increased implementation costs by approximately \$1.3 million for a total cost of more than \$5.7 million. The actual total cost for the new billing system was approximately \$8.9 million.

According to S&WB, the purpose of its new billing system was to replace the legacy system with a modern application that provided advanced options for calculating bills, electronic billing, customer self-service capabilities, and other advanced features. The new billing system went live on October 24, 2016, and was meant to address shortcomings in the old system, such as outdated software, inability to accept credit cards, and losing technical support, as well as to meet customer expectations and S&WB's customer service goals. However, S&WB experienced problems during and after the implementation that were caused by both S&WB and Cogsdale, and were exacerbated by existing weaknesses in S&WB's billing processes.

¹[http://app.lla.state.la.us/PublicReports.nsf/0/DC442CB592746A20862585300082DB88/\\$FILE/NOSWB_RR.pdf?OpenElement&.7773098](http://app.lla.state.la.us/PublicReports.nsf/0/DC442CB592746A20862585300082DB88/$FILE/NOSWB_RR.pdf?OpenElement&.7773098)

² Louisiana Revised Statutes (R.S.) 33:4071

In our March 2020 performance audit, we found that S&WB's implementation of the new billing system caused problems, such as unusually high customer bills and duplicate billings. We also found that S&WB needed to strengthen oversight of its billing processes. For this status update, we requested that S&WB management provide us with its status of implementing the recommendations we made in our 2020 report.³

The objectives of this review were:

- (1) To provide an update on the implementation of recommendations made to S&WB in March 2020 regarding its billing system.**
- (2) To provide information on S&WB governance and identify possibilities for future oversight.**

Our results are summarized on the next page and discussed in detail throughout the remainder of the report. Appendix A contains S&WB's response to this status update and Appendix B contains our scope and methodology. Appendix C contains the recommendations from the March 2020 audit and S&WB management's responses. Appendix D contains a timeline of S&WB governance changes and proposed changes during calendar years 2000 through 2020.

³ We did not conduct detailed audit work to verify S&WB's responses; however, we did review documentary evidence submitted by S&WB management.

Objective 1: To provide an update on the implementation of recommendations made to S&WB in March 2020 regarding its billing system.

According to S&WB management, it has addressed or is in the process of addressing the recommendations from our March 2020 audit on the implementation of its new billing system. However, S&WB still needs to complete needed software installations to improve customer service and billing processes, review its processes to identify and address high bills, and finalize and track performance metrics. In addition, as S&WB is in the process of procuring automatic meter reading technology and new handheld devices for meter readers, it should ensure that it follows through with these contracts as it has abandoned similar projects in the past. Exhibit 1 summarizes the March 2020 audit recommendations and management responses and provides a status update on each as of February 2021.

Exhibit 1 March 2020 Audit Recommendations and Status As of February 2021	
March 2020 Recommendation	Status
1. Ensure that all employees are appropriately trained on the new billing system and that they understand how to perform their job duties correctly with the new system.	Implementation in Progress. S&WB has provided in-house training for employees on the billing system and its recent upgrade. In addition, the billing leadership team holds weekly calls with Cogsdale to discuss issues, updates, staff questions, and potential improvements.
2. Determine if it has migrated sufficient historical data to the new system so that it can accurately estimate bills for customers when necessary.	Implementation Complete. According to S&WB, it recently changed its estimation formula to use 10 months of historical data instead of four months, and to identify at least two past actual meter reads to more accurately estimate customer bills. In addition, S&WB stated that the billing system automatically requests an actual meter read when a customer has three bills estimated in a row. S&WB also stated that it is taking extra steps to identify high bills, including reducing the bill flagging system to a \$3,000 threshold, requiring meter inspector re-reads on questionable reads, and requiring supervisor sign-off on flagged bills before they are sent to customers.
3. Conduct a staffing study to determine the number of employees it needs to consistently read every meter every month.	Implementation in Progress. Conducting actual meter reads is important in calculating accurate and consistent customer bills. According to S&WB, it determined that a meter reading staff of 60 would result in consistent actual meter reads for customers. S&WB stated that it recently hired 21 staff and plans to hire seven more. The City of New Orleans Civil Service Department approved reclassification of meter reading positions on August 26, 2020, which increases the salary for current and new employees. S&WB also implemented a pilot incentive pay program for meter reading staff to increase the number of meters read per month and to help recruit and retain staff. As staffing levels were affected by the COVID-19 pandemic, S&WB contracted with a professional meter reading company to augment meter reading staff by 20 positions for six months through January 16, 2021.

March 2020 Recommendation	Status
<p>4. Continue pursuing automatic meter reading technology and equipment.</p>	<p>Implementation in Progress. S&WB contracted with Jacobs Engineering in February 2021 for \$4,105,431 to consult on procuring automatic meter reading technology. S&WB anticipates Request for Proposal development to be complete by the end of calendar year 2021 and automatic meters installation and project management to continue into calendar year 2023.</p>
<p>5. Identify customers with consecutive estimates and prioritize obtaining actual read of their meters so it can have historical usage data for any potential future estimations.</p>	<p>Implementation in Progress. S&WB is in the process of procuring new handhelds. According to documentation provided by S&WB management, it extended a prior contract for maintenance of handheld devices with Itron, Inc. in November 2020 for \$41,930. However, S&WB is in the process of finalizing the purchase of the new equipment and its required software.</p>
<p>6. Upgrade the new billing system to the appropriate version so that it can implement the software developed by Verint to streamline its customer service processes and better track complaints.</p>	<p>Implementation Complete. S&WB completed the Cogsdale upgrade in June 2020, which will allow it to install the Verint Customer Relationship Management application it purchased in fiscal year 2018.</p>
<p>7. Implement all metrics and key performance indicators recommended by contractors and use those metrics on a regular basis to evaluate its performance and make management decisions.</p>	<p>Implementation in Progress. According to S&WB, in January 2021, it filled a newly-created executive-level position, Chief Customer Service Officer, to lead customer-facing departments including billing, meter reading, and the customer call and walk-in centers. The new Chief Customer Service Officer is in the process of reviewing performance metrics and making suggestions for improvement.</p>
<p>8. Implement the recommendations TMG Consulting made regarding business process improvements and document new or updated policies and procedures.</p>	<p>Implementation in Progress. Implementation of the Verint application is in progress, which will incorporate improved processes and procedures. Once the Verint application is installed, S&WB plans to incorporate, where appropriate, business process changes that were recommended by the contractor hired to redesign customer service and billing processes in accordance with industry best practices. An updated set of regulations for customers will be published in the first half of calendar year 2021.</p>
<p>9. After S&WB upgrades the new billing system, it should implement the Verint Customer Relationship Management application that it has already paid for.</p>	<p>Implementation in Progress. Verint implementation is in progress as the Cogsdale upgrade has been completed. According to documentation provided by S&WB management, the Verint application is projected to go live at the end of June 2021.</p>
<p>10. Ensure that it does not pay contractors for services that were not delivered.</p>	<p>Implementation in Progress. S&WB updated procurement and contracting policies to include additional layers of accountability for vendors and staff. The updated policies include Executive Director and Board review of contract acceptances, changes, amendments, and final closeouts. These policies are under review by the Board.</p>

March 2020 Recommendation	Status
<p>11. Begin to accurately calculate and track free water consumption, especially for customers that statutorily receive free water below certain thresholds, to ensure that it is correctly billing customers for any usage that exceeds their thresholds.</p>	<p>Implementation Complete. Free water accounts are tracked using unique rate codes, and S&WB has negotiated directly with many of the recipients to ensure accurate and timely billing.</p>
<p>Source: Prepared by legislative auditor’s staff using information provided by S&WB.</p>	

Objective 2: To provide information on S&WB governance and identify possibilities for future oversight.

S&WB’s governance structure is multi-faceted, which presents challenges in ensuring accountability as different entities play a role in the agency’s structure, operation, and finances. This structure is unique in that S&WB is a component of the City of New Orleans and must follow state law and the New Orleans City home rule charter. As citizens and legislators have become concerned with the effectiveness and efficiency of S&WB operations, its governance structure has created challenges in holding S&WB accountable and encouraging improvement. The state legislature, New Orleans City Council, Board of Liquidation,⁴ and the S&WB itself all have a role in the structure, operation, or finances of S&WB.

R.S. 33:4071 creates S&WB to construct, control, maintain, and operate the public water system, public sewerage system, and the public drainage system of the City of New Orleans. Effective June 11, 2020, this law designates the 11-member Board composition as:

- The mayor as ex officio president
- The chair of the Public Works, Sanitation, and Environment Committee of the City Council, a member of the committee appointed by the chair, or a civil engineer appointed by the chair
- Two syndicate members of the Board of Liquidation, City Debt, to be appointed by the mayor at the recommendation of the Board of Liquidation
- Seven citizens, appointed by the mayor, with the advice and consent of the City Council and S&WB Selection Committee

Memberships related to the two members of the Board of Liquidation and the seven citizens must include one citizen from each of the five City Council districts, and two must be consumer advocates with community advocacy or consumer protection experience. These members have four-year terms and cannot serve more than two consecutive terms. Under S&WB’s current governance structure, the Board has ultimate oversight. The legislature has adjusted the Board’s membership at various times. For example, Senate Bill 47 of the 2013 Regular Session removed the three City Council seats from the Board in an effort to depoliticize the Board. However, Senate Bill 227 of the 2018 Regular Session added back one City Council seat to the Board.

S&WB is one of 10 “unattached” boards and commissions placed under the executive branch by the New Orleans home rule charter, which means it is not attached to a specific

⁴ The Board of Liquidation has exclusive control and direction of all matters related to the issuance and repayment of the City’s general obligation bonds. Because of this board, the repayment of New Orleans general obligation bonds is separated and excluded from the City’s operating budget, and a dedicated source and security for the repayment of the City’s general obligation bonds is maintained.

department of city government and is an independent legal entity. State law⁵ requires S&WB to provide reports to the New Orleans City Council throughout the year on its acts, doings, receipts, expenditures, and contracts. While S&WB is solely responsible for operations of the sewerage and water systems, the City Council and Board of Liquidation have to approve rate changes and the issuance of bonds.

Over the past 20 years, various changes to S&WB governance have been recommended or implemented as part of efforts to increase S&WB effectiveness and/or accountability. See Appendix D for a timeline of proposed or implemented changes to S&WB governance since calendar year 2000. In January 2019, the Task Force on New Orleans Sewerage, Water, and Drainage Utilities (“Task Force”)⁶ published its final report and recommendations regarding the governance structure of S&WB.⁷ The Task Force determined that a wholesale change in the governance structure of S&WB was not likely to produce substantially better results than the current structure. As a result, the Task Force recommended a set of phased changes under the existing structure. In addition, as a long-term recommendation, the Task Force recommended the legislature study the existing regulatory and governance structure in order to revisit it once S&WB has attained stable functionality.

However, as citizens and elected officials are still concerned with perceived S&WB inefficiencies and lack of accountability, the legislature may wish to evaluate and determine a governance structure for S&WB that increases accountability. Below are several options that have been proposed or implemented since calendar year 2000. Note that these examples are not an exhaustive list of all possibilities. Changes to S&WB governance would require legislative changes, and possibly changes to New Orleans’ City Charter.

Creating a City Department

One option is to move S&WB fully under the City of New Orleans by creating a sewerage and water city department. This would clearly place ultimate oversight of the sewerage and water systems with the city’s administration. In July 2012 and again in August 2017, the New Orleans Inspector General recommended moving to this governance structure as it would require the S&WB to report to the mayor like all the other city departments.⁸ This governance structure could result in improved oversight as citizens could hold administrations accountable through the voting process.

Granting More Authority to S&WB

Another option is to increase S&WB’s autonomy by allowing it more control over its finances and rate setting. In October 2011, the Bureau of Governmental Research (BRG), a private, non-profit independent research organization in New Orleans, recommended this option as a way to remove undue political influence in rate setting.⁹ BRG also recommended removing elected officials from the Board and allowing S&WB to raise rates without the approval of the City

⁵ R.S. 33:4091

⁶ House Resolution 193 of the 2018 Regular Legislative Session

⁷ <https://roadwork.nola.gov/roadwork/media/Documents/SWB%20Task%20Force/SWBNO-Task-Force-Report-Final-Report-1-31-19.pdf>

⁸ http://www.nolaog.gov/index.php?option=com_mtree&task=att_download&link_id=169&cf_id=37

⁹ https://www.bgr.org/wp-content/uploads/Making_SWB_Work-1.pdf

Council. As part of BRG's recommendations, it suggested that the City Council develop a comprehensive, ongoing process for regulating S&WB, which would include reviewing strategic and financial plans and regularly monitoring S&WB's performance.

Privatizing the Board

During calendar years 2000 through 2004, S&WB pursued privatization but these efforts were ultimately abandoned. At the time, the procurement for private management, operation, and maintenance of the sewerage and water systems was the largest in the United States, with an estimated value of \$1 billion. In January 2002, S&WB issued a final Request for Proposals. However, according to the Task Force, consultants concluded that while privatization was likely to reduce costs and produce smaller rate increases, inefficiencies in S&WB processes may offset these anticipated cost savings. R.S. 33:4159.10, passed in the 2003 Regular Session, states that voter approval is required for privatization of any public sewerage and water board by a municipality to a nonpublic entity. The Task Force did not recommend privatization because of the need for a public vote on any proposal. According to the Task Force, privatizing the sewerage and water systems would result in less government control which could lead to accountability issues.

Creating a Public Benefit Corporation

The Task Force recommended exploring options such as S&WB becoming a public benefit corporation where the City would be its only shareholder. For example, the French Market Corporation ("The Market") is a public benefit corporation where profits are funneled back into the City. The Market was organized in March 1973 to provide for the operation and maintenance of the French Market properties owned by the City. The Market is administered by a Board of Directors appointed by the mayor and is a component unit of the City of New Orleans.

Matter for Legislative Consideration 1: The legislature may wish to evaluate and determine what type of governance structure for S&WB would result in the most accountability.

APPENDIX A: MANAGEMENT'S RESPONSE



The Sewerage & Water Board OF NEW ORLEANS

625 ST. JOSEPH STREET
NEW ORLEANS, LA 70165
504.529.2837 OR 52.WATER
www.swbno.org

March 15, 2021

Thomas Cole
Temporary Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

Re: SWBNO Status Update to Implementation of the New Billing System and Oversight of Billing Processes Recommendations Outlined in the Performance Audit Services Report-Issued March 2020

Dear Mr. Cole:

We appreciate your team's due diligence in examining the challenges we faced with our billing system. We agree with your status update review regarding the implementation of recommendations made in the March 2020 audit report, *Implementation of New Billing System and Oversight of Billing Process*. We are also pleased to share the progress made thus far as reflected in the report. Nevertheless, we will continue our efforts to provide better service for our customers.

With regard to Objective Two, information on SWBNO governance and future oversight, our leadership team has the following response below:

As noted in your report, a variety of governance and oversight options previously have been explored, without a conclusion as to any one "best" option to date. Your representation of the options and associated requirements (or challenges in some cases) appears fair, although we would ask that you include maintaining the status quo – continuing improvements under the current governing structure – as a viable option as well.

It is also worth noting that several of the options included in your report would require constitutional, legislative, or Home Rule Charter amendments. In addition to those legal thresholds, any significant change would benefit from consideration of potential impacts to SWBNO's workforce and the time and effort required to successfully implement systemic change. Although SWBNO and its Board of Directors are not the ultimate decision makers when it comes to regulatory oversight, we do appreciate the opportunity to be part of the conversation.

As part of good governance, the SWBNO is in its ongoing quest for sustainability and viability through strategic planning. The SWBNO recently released a Request for Proposal (RFP) to attract a highly qualified firm to assist with the development of a multi-year strategic master plan for our agency. The Board of Directors will ultimately provide the final say for approval of such firm. A strategic plan will be utilized by our agency to set priorities, focus energy and resources, and strengthen actions around strategic goals. We believe this will allow SWBNO executive leadership to determine the appropriate organizational structure that will meet the needs of our customers.

Thank you,

A handwritten signature in black ink, appearing to read "Ghassan Korban". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ghassan Korban
Executive Director, Sewerage and Water Board of New Orleans

APPENDIX B: SCOPE AND METHODOLOGY

We conducted this review under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended to provide an update on the New Orleans Sewerage and Water Board's (S&WB) implementation of recommendations we made in the March 2020 audit report, *Implementation of New Billing System and Oversight of Billing Process*. Our audit objectives were:

- (1) To provide an update on the implementation of recommendations made to S&WB regarding its billing system.**
- (2) To provide information on S&WB governance and identify possibilities for future oversight.**

The scope of our audit was less than that required by *Government Auditing Standards*. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. To answer our objectives, we performed the following audit steps:

- Requested from S&WB management a status update on each of the 11 recommendations made in our March 2020 performance audit.
- Reviewed supporting documentation provided by S&WB for each recommendation.
- Researched laws governing S&WB and proposed or implemented changes to S&WB's governance structure since calendar year 2000.
- Reviewed New Orleans Office of Inspector General reports regarding S&WB management and oversight.
- Reviewed the Task Force on New Orleans Sewerage, Water, and Drainage Utilities January 2019 report and recommendations.
- Met with S&WB management to discuss our report conclusions and recommendations.

APPENDIX C: MARCH 2020 AUDIT FINDINGS, RECOMMENDATIONS, AND S&WB MANAGEMENT RESPONSES

Finding 1: 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.

Recommendation 1: S&WB should ensure that all employees are appropriately trained on the new billing system and that they understand how to perform their job duties correctly with the new system.

Summary of Management's Response: S&WB agrees with this recommendation and stated that since July 2018 it has worked to ensure that staff receive appropriate training. In-house training is held regularly and training for the pending upgrade was held for all customer service personnel. Additional training for meter readers and supervisors was provided to improve the routing sequencing and route assignment process.

Recommendation 2: S&WB should determine if it has migrated sufficient historical data to the new system so that it can accurately estimate bills for customers when necessary.

Summary of Management's Response: S&WB disagrees with this recommendation and stated that while past actions cannot be reversed at this point in time, there is now 3.5 years of historical data in the new system that can provide accurate data for estimating bills for customers when appropriate.

Finding 2: S&WB does not consistently read all customer water meters each month and its estimation formulas 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.

Recommendation 3: S&WB should conduct a staffing study to determine the number of employees it needs to consistently read every meter every month so that it can ensure that staffing levels are adequate.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it has already done so. The position of meter reader is a high turnover position and maintaining the appropriate staff level will vary based upon employee career decisions. S&WB's goal is to have an automated meter infrastructure (AMI) which would send readings daily to each account without human intervention. In addition, S&WB stated that attracting and retaining staffing above the entry level and at the supervisory level is difficult due to the current salary limitations and there is not a sufficient financial incentive between the positions to encourage the higher level of responsibility. S&WB has been trying to work with Civil Service on this issue but has not been successful yet in identifying adjustments to ensure market competitive positions.

Recommendation 4: S&WB should continue pursuing automatic meter reading technology and equipment.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it is actively working towards an AMI. S&WB just completed a procurement bid to select a project manager for a new AMI that will take three to five years to fully implement.

Recommendation 5: S&WB should identify customers with consecutive estimates and prioritize obtaining actual read of their meters so it can have historical usage data for any potential future estimations.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it has taken actions to reduce opportunities for errors in order to reduce the need for estimates. In addition, S&WB stated that it recently completed a procurement bid for new handheld devices to record reads and these devices are equipped with cameras which can be used for more difficult meter reads or to verify customer inquiries.

Additional LLA Comments: S&WB's response does not address the recommendation to identify and prioritize customers with consecutive estimates so that it can have historical usage data for any potential future estimates. While reducing errors is important, there will always be situations that require S&WB to estimate bills and it should endeavor to ensure that it has as much historical data as possible for those customers who have received estimated bills for consecutive months.

Finding 3: S&WB paid four consultants approximately \$1.7 million during calendar years 2017 through 2019 to identify the causes of billing problems, implement solutions, and make recommendations for improvement. However, as of January 2020, S&WB has not implemented many of the recommendations. These consultants were 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.

Recommendation 6: S&WB should upgrade the new billing system to the appropriate version so that it can implement the software developed by Verint to streamline its customer service processes and better track complaints.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it has been actively working on completing an upgrade to the billing system anticipated in 2020. This upgrade will allow S&WB to implement the Verint system purchased in early 2018.

Recommendation 7: S&WB should implement all metrics and key performance indicators recommended by contractors and use those metrics on a regular basis to evaluate its performance and make management decisions.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it has identified the metrics it believes are most important for daily evaluation and performance measurement. S&WB now has real-time call center data, reviews customer billing/collections data daily, runs daily reports for bill reviews and meter reading exceptions, and has been providing monthly indicators to both the Board of Directors and the public on various customer engagement measures. S&WB stated that it will continue to monitor the measures it believes to be applicable and develop processes or reports as necessary to assist with the identification of the selected metrics.

Recommendation 8: S&WB should implement the recommendations TMG made regarding business process improvements and document new or updated policies and procedures.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it has worked since July 2018 to update or create policies, procedures, and processes, some of which were based upon the work prepared by TMG. S&WB completed a revised draft of the rules and regulations and has been working through final legal reviews. As S&WB completes the billing system update and implements Verint, it will document the additional functionality and re-train staff. S&WB also stated that as it continues to make system improvements, its processes and procedure documentation will evolve and may not look like the information TMG provided in 2018.

Recommendation 9: After S&WB upgrades the new billing system, it should implement the Verint Customer Relationship Management application that it has already paid for.

Summary of Management's Response: S&WB agrees with this recommendation and stated that it is working to complete an upgrade to the billing system anticipated in 2020 so that it can move to implement the Verint system purchased in early 2018.

Recommendation 10: S&WB should ensure that it does not pay contractors for services that were not delivered.

Summary of Management's Response: S&WB agrees with this recommendation and stated that the current administration is providing oversight and new procurement processes to ensure that all services required under contracts are the services received. The Executive Director has instructed the legal department to review options to compel any contractors who may have been paid for services not delivered to make good on those services or return excess payments.

Finding 4: 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.

Recommendation 11: S&WB should begin to accurately calculate and track free water consumption, especially for customers that statutorily receive free water below certain thresholds, to ensure that it is correctly billing customers for any usage that exceeds their thresholds.

Summary of Management’s Response: S&WB agrees with this recommendation and stated that the provision of services free of charge does place an undo financial burden on the agency. While S&WB reads the meters for all water use, some accounts receive “free water” per legislation or have complicated billing consumption thresholds that do not allow for automated, monthly billing with the system. Due to the manual nature required by existing regulations, manual bills must be created for some of these accounts, which are created twice a year.

APPENDIX D: TIMELINE OF PROPOSED AND IMPLEMENTED S&WB GOVERNANCE CHANGES CALENDAR YEARS 2000 THROUGH 2020

Calendar Years 2000 through 2004

S&WB pursues privatization. S&WB issues an RFP, reviews proposals, and spends approximately \$5 million on these efforts which were ultimately abandoned.

Calendar Year 2012

New Orleans Office of Inspector General publishes letter to mayor advocating for creating a city sewerage and water department and dissolving S&WB.

Calendar Year 2013

Senate Bill 47 passes in the 2013 Regular Session, which “depoliticizes” the Board composition by removing the three City Council seats. It also required various reports throughout the year to be submitted to the City Council. This was pushed by Mayor Mitch Landrieu and BRG.

Calendar Year 2017

New Orleans Office of Inspector General publishes letter to mayor advocating for creating a city sewerage and water department and dissolving S&WB.

Calendar Year 2018

Senate Bill 227 passes in the 2018 Regular Session, which adds back one City Council seat to the Board composition. Apparently, S&WB was not submitting required reports regularly to the City Council. This bill adds in a section regarding what happens if S&WB fails to submit required reports. If S&WB fails to submit reports, the Executive Director must appear at the next council meeting to explain why it failed to submit the report.

Calendar Year 2019

House Resolution 193 of the 2019 Regular Session creates the Task Force on New Orleans Sewerage, Water, and Drainage Utilities publish its report and recommendations. Overall, the Task Force found that “after the community meetings, internal analysis, and expert testimony, the Task Force determined that a wholesale change in the governance structure of the Sewerage and Water Board is not likely to produce substantially better results than the current structure—particularly when weighed against the complexity of adopting some considered options. The Task Force determined that it would be best to make a set of phased recommendations under the existing governance structure which could address three tiers of issues facing the Board.” It also recommended consolidating the management of drainage under S&WB (drainage is split between S&WB and City of New Orleans Department of Public Works) and to study the existing regulatory and governance structure and revisit governance structure once S&WB has attained

stable functionality. The Task Force specifically suggested looking into public benefit corporations and a regional utility as options.

Calendar Year 2020

Senate Bill 390 of the 2020 Regular Session **passed**, but the original wording which placed limits on the quarterly reports that S&WB must provide to the City Council **was removed**. This bill would have changed what goes into the reports -- each quarterly report will be limited to a specific topic for that report. The bill primarily addresses contracting. Mayor Cantrell and S&WB supported this bill. Critics suggested that it lessens S&WB transparency.

House Bill 413 of the 2020 Regular Session **did not pass**. It would have given the City Council more control over S&WB by requiring the City Council to approve S&WB's budget each year.

House Resolution 39 of the 2020 Regular Session **did not pass**. It would have created a Task Force on the New Orleans Sewerage, Water, and Drainage Operations to study the feasibility of granting the control and management of the sewer, water, and drainage facilities and services to the New Orleans City Council.