

Sewerage & Water Board Internal Audit Department Follow-up Audit

August 19, 2021

Purpose of This Report

In August 2019, the Office of Inspector General (OIG) issued a report titled “Sewerage & Water Board of New Orleans Internal Audit Department Performance Audit” (2019 Report). The OIG conducted a follow-up audit to its 2019 Report. The objective of the follow-up audit was to determine if the Sewerage and Water Board of New Orleans (S&WB) implemented the OIG’s recommendations from the 2019 Report and/or implemented other policies or procedures to resolve the OIG’s findings.

What the OIG Found

The OIG found that the S&WB Internal Audit Department (Department):

- Revised the Internal Audit Charter to require the Chief Audit Executive (CAE) to report functionally to the Audit Committee and administratively to the Executive Director. As a result, the OIG did not find any instances of interference from S&WB management during the scope period. The Audit Committee approved the revised Internal Audit Charter at their June 10, 2020 meeting.
- Revised the Audit Committee Charter to require the Audit Committee to review and concur on the appointment, replacement, reassignment or dismissal of the CAE. The Audit Committee is expected to approve the revised Audit Committee Charter at the September 2021 meeting.
- Revised the Internal Audit Manual in 2021. The Audit Committee is also expected to approve the revised Internal Audit Manual at the September 2021 meeting.
- Procured electronic audit software and was working with a consultant to complete system configuration and to conduct staff training sessions.
- Increased staff training. Department staff attended weekly meetings and local Institute of Internal Auditors (IIA) chapter monthly meetings to discuss IIA Standards and other best practices. The Chief Auditor also conducted individual staff trainings to review IIA Standards.

Despite these changes, many of the OIG’s recommendations were not implemented. The OIG found that the Audit Committee and/or the S&WB Board of Directors (Board) did not:

- Appoint a CAE.
- Meet at least quarterly as required by the Audit Committee Charter.
- Attend any formal training sessions on IIA Standards in 2020 due to COVID-19.
- Educate S&WB personnel as to the Department’s organizational placement and authority.

The OIG also found that the Department did not:

- Develop an annual risk assessment or an annual audit plan.
- Communicate its performance relative to any audit plan or resource requirements to the Audit Committee.
- Develop or implement an internal or external quality assurance and improvement program.
- Prepare or include any planning documents as part of the audit workpapers.
- Prepare workpapers that included sufficient supporting documentation and/or information to support the engagement’s results and conclusions.

Conclusion: We strongly encourage the S&WB to appoint a CAE who can develop an effective and fully functional internal audit department. The internal audit department can detect operational deficiencies and aid management to improve operations through their evaluation of internal controls. Ultimately, these actions save the S&WB money and improve customer service through more efficient and effective operations.