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S&WB DID NOT APPOINT A CHIEF AUDIT EXECUTIVE & MISSES OPPORTUNITY TO CREATE A FULLY FUNCTIONAL INTERNAL AUDIT DEPARTMENT

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

The OIG found that the S&WB Audit Committee and/or the S&WB Board of Directors did not:

- Appoint a Chief Audit Executive (CAE), as required by the International Standards for the Professional Practice of Internal Auditing (IIA Standards). The Civil Service Commission (Commission) rejected the S&WB’s request to create an unclassified CAE position, but the Commission approved a classified position. However, the S&WB did not fill the position.
- 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 Internal Audit Department’s organizational placement and authority.

The OIG found a number of deficiencies that bring into question the reliability of the Internal Audit Department’s audit reports. The OIG noted the Department did not:

- Develop an annual risk assessment or an annual audit plan.
- Communicate its performance relative to any audit plan 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.

These deficiencies could be corrected if the S&WB appointed a CAE to develop and implement an effective internal audit department.

Even though the S&WB did not appoint a CAE, the OIG found the Internal Audit Department made some improvements. For example, the Internal Audit Department:

- Revised the Internal Audit Charter to require the CAE to report functionally to the Audit Committee and administratively to the Executive Director.¹
- Revised the Audit Committee Charter to require the Audit Committee to review and concur on the appointment, replacement, reassignment or dismissal of the CAE.²
- Revised the Internal Audit Manual in 2021.³
- Procured electronic audit software and was in the process of configuring the system and training staff.
- Increased staff training.

“In these times of limited resources, it is essential for the S&WB to invest in the right resources. The S&WB should invest in the Internal Audit Department and appoint a Chief Audit Executive to develop and implement an effective internal audit function. The internal audit department can detect operational deficiencies and 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.”

-Edward Michel, Interim Inspector General

In addition to today’s report, the OIG released a brief with highlights. Go to www.nola.oig.gov to view all OIG reports.

¹ The Audit Committee approved the revised Internal Audit Charter at their June 10, 2020 meeting.

² The Audit Committee is expected to approve the revised Audit Committee Charter at the September 2021 meeting.

³ The Audit Committee is expected to approve the Internal Audit Manual at the September 2021 meeting.