



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

Sewerage & Water Board OF NEW ORLEANS

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June 13 2018

The Audit Committee met on Wednesday, June 13, 2018 in the Board Room, 625 St. Joseph Street, New Orleans, LA. The meeting convened at 11:30 A.M.

PRESENT:

Director Dr. Tamika Duplessis, Chair
Director Lynes Sloss

ABSENT:

Director Robin Barnes
Director Lewis Stirling

OTHER BOARD MEMBERS PRESENT:

ALSO IN ATTENDANCE:

Jade Brown-Russell, Acting Executive Director
Marina Kahn, Interim CFO
James Thompson, Office of Special Counsel
Raymond Gable, Internal Audit
Mary Arceneaux, Office of Special Counsel

The meeting began by Dr. Duplessis calling the meeting to order. A quorum was not present, so the meeting proceeded with presentation and information items only. James Thompson stated there were no action items on the agenda and a call to proceed with the presentations on the agenda. Interim Chief Financial Officer, Marina Kahn began by stating the last committee meeting included a presentation from external auditors with a discussion about issues with completing the CAFR. Ms. Kahn then stated the issues with the completion of the CAFR stem from interfacing issues between the billing and financial systems. Documentation reporting the receivables and unbillable funds are being produced with errors from the interfacing issues. The Louisiana Legislative Auditors have requested more detailed policies and procedures. S&WB has retained external consultants to aid in developing sufficient policy and interfacing methods

between Cogsdale and AFIN systems. Due to the reporting issues with both systems, Ms. Kahn stated, S&WB is in the process of requesting an extension with the Legislative Auditor. Additionally, Ms. Kahn stated the implemented software systems, in her opinion, were not adequately tested. There was insufficient employee training and has had to provide additional training on a reporting system that does not seem to be user-friendly. As the request for an extension has been submitted, Ms. Kahn noted, the most time, if awarded, that will be allowed is 90 days. The goal of the Financial Department is to complete the report by the end of July, ahead of the 90 days extension period. Dr. Duplessis added the committee is in agreement that a request for extension is necessary and in the best interest of the Board. Additionally, Dr. Duplessis requested a copy of the request for extension also be sent to the Audit Committee as well as the LLA.

Director Lynes Sloss asked who the consultants were that are helping with the training with software operation. Cogsdale is the provider of the billing system and also provided recommendations and feedback on getting updated systems. TMG Consultant Group has work to draft a number of policies (or SOP's) from a number of departments including Customer Service. Ms. Brown-Russell also added the Board has Bluedrop to work with the Billing and Customer Service Departments on more forward facing training on the customer service side. Additionally, Ms. Brown-Russell confirmed Cogsdale is the developer of the Board's current billing system. Ms. Brown-Russell also made a recommendation and request to setup a meeting between Cogsdale and some board members to discuss some of the concerns. Based on the information from staff, Cogsdale has room for improvement in servicing us. She also stated, we not only have the billing issues but also, one of the issues we are having is stemmed from having two systems within Cogsdale that are "not talking to each other" which makes it hard for our external auditors to accurately capture the correct data for auditing purposes. Additionally, Ms. Brown-Russell added, an additional external auditor is being retained to help complete manual journal entries to help us in position to complete the audit. She also added we need to move forward very aggressively. She stated the request would be for 90 days. There is no guarantee we would get the extension, but she felt confident we would be granted the extension based on the existing circumstances. However, in the event the Board is granted the extension, we cannot be in a position to use the entire 90 days.

Director Sloss then asked what happens if the extension is not granted. Ms. Brown-Russell answered we would be late on our audit and the implications of that would have some long-term effects on our funding and, whether we get it or not, it will have implications on our ability to get extensions in the future if needed. Ms. Brown-Russell also added that in the past the Board did not have a need for an extension.

PRESENTATION ITEMS:

Mr. Thompson introduced Mary Arceneaux of the Office of Special Counsel to give updates on the external audit. Ms. Arceneaux stated in addition to the update with respect to the CAFR, the Legislative Auditor began an Advisory Services Audit in January in which they were returning the following day to conduct an entrance interview with leading staff members and possibly drilling down into more detail as necessary. This audit is pursuant to House Resolution No. 92 passed by the regular session of the Legislature this past year. House Resolution No. 92 requires the Legislative Auditor to audit all contracts of the S&WB. The LLA has selected a total of 25 contracts to review which includes a cross-section of professional services, construction and goods & services.

Similarly, the Board has one federal and one local (The New Orleans Office of Inspector General) audit ongoing. The federal Office of Inspector General is a housekeeping audit for reconciliation

for the FEMA records with the state records of our federal grants. Ms. Arceneaux stated she has not been particularly involved in this audit since the entrance meeting, but she knows there has been ongoing dialogue between the Internal Audit Department and FEMA. But, she will keep the committee abreast. The New Orleans Office of Inspector General is conducting a government audit on fraud, waste, and abuse. They are conducting several interviews and gathering information. But, no real update on the audit.

Ms. Arceneaux added there is a response to the City Council request to the quarterly City Council report that is due. The report addresses questions of the City Council that are very similar to the questions of the auditors. Ms. Brown-Russell added the constant request for information for the several ongoing audits the Board is under contributes to the appearance of “audit fatigue”. She also expressed her appreciation for the audits and how they will only help the organization improve it’s processes.

RFP

Mr. Thompson then moved the committee meeting towards the RFP presentation item explaining how it would help the Audit Committee determine where internal controls are needed, how current controls be improved, control recommendations and establish adequate resourcing of the Internal Audit and Office of Special Counsel to assist the Audit Committee in its oversight of financial integrity and legal compliance. He added, with the last presentation of Postlethwaite & Netterville, they identified several internal control deficiencies. Although P&N identified weaknesses within financial reporting, they do not make recommendations. Hence, the request for the RFP would secure a consultant to help the Board identify and develop more secure functions. Mr. Thompson also added the Audit Committee would not have to approve the RFP but introduced the idea to get feedback from the committee. Director Sloss added he is in agreement with the RFP and he would recommend making the City Council aware of it to ensure we are on the right path and proceeding to clear functionality within the Board. Mr. Thompson also added the timeline for the study would be 2 or 3 months to get to and publish a final report.

Internal Audit Presentation

The presentation introduced the roles, responsibilities, structure, functions and department authority. Mr. Gable began by introducing the departments 5 members: Chante Powell, Greg Lampard, Monique Johnson, Javon Franklin and Louis Marshall. Mr. Gable also spoke about the mission and purpose of the department and the governance of the Internal Audit Department. Next, Chante Powell spoke on the Dual Reporting Relationship of the department between Senior Management and The Board of Directors through the Audit Committee. Dr. Duplessis asked if the Internal Audit Department has an operating budget. Ms. Kahn answered, “yes”. Greg Lampard began his presentation by discussing the purpose, role, and responsibility of the Audit Committee as established in the Audit Committee Charter. Mr. Lampard also noted key points within the Audit Committee Charter which were provided during the last committee meeting. In addressing the role of establishing committee meeting times, Mr. Lampard noted the Board recommends the Audit Committee meet once a month since we are working to develop a solid footing and still addressing Board issues. He also spoke on the relationship the Audit Committee should have with not only the internal auditors, but also the external auditors. External auditors are also to report to the retaining entity as well as the entity’s Audit Committee. Additionally, any issues or risks found by any internal or external auditors, but which have not been addressed, are to be communicated to the Audit Committee. Whereas, the Audit Committee may call forth the responsible department to find out why said issues have not been addressed. Mr. Thompson added, the committee was presented a version of the Audit Committee Charter; however, the Board is still considering the delegation and committee charters and

responsibilities. Therefore, as it stands, the current charter could be amended as the Board sees fit. Mr. Lampard then proceeded with the Internal Audit Charter which establishes the independence and the roles and responsibilities. Notably, the assurance of 100% access to records, personnel, and resources ensures the credibility of the reports. He also noted, the current internal audit charter was ratified in 2013 and has the internal audit committee reporting to the Finance Committee which should be updated to reflect the Internal Audit department reporting the Audit Committee. He also added based on the Internal Audit's governing standards, the department charter should be approved by the Audit Committee.

OLD BUSINESS

Items 1 – 3 were addressed by Ms. Kahn in both the Audit and Finance Committee meetings. Director Sloss stated he hadn't received weekly updates and he doesn't think it is needed. Ms. Kahn added, she thinks one was sent, there would be a meeting on Friday whereas she would provide an update weekly status. Director Sloss stated he is still interested in receiving weekly updates due to it being an important item. Ms. Brown-Russell confirmed the weekly status updates will be sent.

Item #4 was Dr. Duplessis' request for P&N to send their last year's report to the Audit Committee which Mr. Thompson confirmed he sent the following week. He also stated the single audit report of 2016 was sent via email.

Item #3 questions if water utility standards for an audit committee exist. Mr. Thompson referred to researching and understand if such standards exist is one reason we have decided to postpone the introduction of a new audit charter to ensure all standards and guidelines are adhered to.

Item #4 Dr. Duplessis stated both the chairs of the Finance and Administration Committee and Audit Committee met with various stakeholders as it relates to change orders on the finance and operation side to discuss the creation of a subcommittee. The next meeting has not yet been finalized.

NEW BUSINESS

Both the Audit Committee and the full Board is interested in receiving presentations on the roles, responsibilities and processes of members as it pertains to hurricane season. Ms. Brown-Russell confirmed the Board is prepared to add a presentation to the agenda for the next Board meeting.

INFORMATION ITEMS:

Benchmark Balance Scorecard
Draft Internal Audit Charter
Draft Audit Committee Charter
Policy #35 Internal Audit Policy

ADJOURNMENT:

Due to no quorum for the meeting, no adjournment was needed. The meeting ended approximately 12:13 P.M.

Respectfully submitted,

Dr. Tamika Duplessis, Audit Committee Chair

