



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: July 14, 2017
To: General Public Notice
From: Lawrence Williams
Re: Overtime and Standby Report

The Sewerage & Water Board of New Orleans Overtime & Standby Report is currently being updated. The complete report will be made available to the Audit Committee and the general public on or before Monday, July 17th at 10:30A.

SEWERAGE AND WATER BOARD OF NEW ORLEANS

SINGLE AUDIT REPORTS

DECEMBER 31, 2016

SEWERAGE AND WATER BOARD OF NEW ORLEANS

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DECEMBER 31, 2016

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Single Audit Reports

December 31, 2016

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board
Sewerage and Water Board of New Orleans:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sewerage and Water Board of New Orleans (the "Board"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated June 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs, indexed as 2016-001, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, indexed as 2016-002, to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017



30th Floor, Energy Centre, 1100 Poydras Street - New Orleans, LA 70163-3000
One Galleria Boulevard, Suite 2100 - Metairie, LA 70001
800-201-7332 Phone - 504-837-5990 Phone - 504-834-3609 Fax - pn CPA.com

A Professional Accounting Corporation

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Members of the Board
Sewerage and Water Board of New Orleans:

Report on Compliance for Each Major Federal Program

We have audited the Sewerage and Water Board of New Orleans' (the "Board") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended December 31, 2016. The Board's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Board's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on Each Major Federal Program

In our opinion, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the Board, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Board as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements. We issued our report thereon dated June 27, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Expenditures of Federal Awards

December 31, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Loan Balance at December 31, 2015</u>	<u>Federal Expenditures in 2016</u>	<u>Loan Balance at December 31, 2016</u>
U.S. Environmental Protection Agency:					
Direct award:					
Urban Waters Small Grants	66.440	N/A		\$ 2,867	
Environmental Education Grants	66.951	N/A		50,283	
Total U.S. Environmental Protection Agency				<u>\$ 53,150</u>	
U.S. Department of Homeland Security:					
Pass-through program from:					
State of Louisiana, Office of Homeland Security and Emergency Preparedness					
Disaster Grants - Public Assistance	97.036	1792-DR-LA, 1603- DR-LA-0411, & VARIOUS OTHERS		\$ 19,379,829	
Hazard Mitigation Grant Program	97.039	1792-022-0002, 1603- 071-0039, & VARIOUS OTHERS		16,539,784	
Pass-through program from:					
City of New Orleans					
Hazard Mitigation Grant Program	97.039	1603-DR-LA-0429		3,620,984	
Total Hazard Mitigation Grant Program				<u>20,160,768</u>	
Total U.S. Department of Homeland Security				<u>39,540,597</u>	
Total Federal Grant Expenditures				<u>\$ 39,593,747</u>	
U.S. Environmental Protection Agency:					
Pass-through program from:					
Louisiana Department of Environmental Quality					
Capitalization Grants For Clean Water State Revolving Funds	66.458	CS221090-01	<u>\$ 7,755,000</u>	<u>\$ -</u>	<u>\$ 7,333,000</u>
Total Federal Award Loans			<u>\$ 7,755,000</u>	<u>\$ -</u>	<u>\$ 7,333,000</u>
Total Federal Grant Expenditures				\$ 39,593,747	
Loan Balance at December 31, 2015				7,755,000	
Federal Loan Expenditures in 2016				-	
Total Federal Loan Expenditures				<u>7,755,000</u>	
Total Federal Award Expenditures				<u>\$ 47,348,747</u>	

See accompanying notes to the schedule of expenditures of federal awards.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Sewerage and Water Board of New Orleans (the "Board") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Example Entity.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10% de minimus cost rate allowed under the Uniform Guidance.

(4) Relationship to Basic Financial Statements

Federal awards are included in the statement of net position and the statement of revenues, expenses and changes in net position as follows:

Bonds payable, at December 31, 2015	\$	7,755,000
Payment made during 2016		(422,000)
Bonds payable, at December 31, 2016	\$	<u>7,333,000</u>
Capital contributions	\$	<u>39,593,747</u>

(5) Loans Payable to Federal Agency

The Board entered into an agreement with the Louisiana Department of Environmental Quality (LDEQ) whereby the LDEQ has committed to loan the Board \$9,000,000 to fund sewer main replacements, point repairs, replacement of associated service connections and laterals, sewer line rehabilitation by cured in-place pipe lining and manhole rehabilitation. The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the LDEQ will be evidenced through the Sewerage Service Subordinate Revenue Bonds, Series 2011. Annual principal payments are due beginning November 1, 2013 and continuing through November 1, 2032. Interest on the bonds is incurred at the rate of 0.45%, and the LDEQ administrative fee rate is 0.5%. Interest and administrative fee payments began on May 1, 2012 and are due semi-annually thereafter. As of December 31, 2016, \$7,333,000 is recorded as bonds payable.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

(1) Summary of Independent Auditors' Results

- (a) The type of report issued on the basic financial statements: **Unmodified Opinion**
- (b) Significant deficiencies in internal control were disclosed by the audit of the basic financial statements: **Yes**; Material weaknesses: **Yes**
- (c) Noncompliance which is material to the basic financial statements: **No**
- (d) Significant deficiencies in internal control over major program: **No**;
Material weaknesses: **No**
- (e) The type of report issued on compliance for major program: **Unmodified Opinion**
- (f) Did the audit disclose any audit findings which the independent auditor is required to report in accordance with 2 CFR 200.516(a)? **No**
- (g) Major program:

CFDA No. 97.039 – Hazard Mitigation Grant Program
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$1,187,812**
- (i) Auditee qualified as a low-risk auditee under the Uniform Guidance: **Yes**

(2) Findings relating to the basic financial statements reported in accordance with Government Auditing Standards

2016-001 Customer Accounts, Receivable and Revenue

Criteria: The Board should have adequate internal controls in place to ensure customer accounts are reconciled monthly to the general ledger systems. In addition, the Board should have procedures in place to ensure that all customers are properly billed on a monthly basis.

Condition: The Board implemented a new customer billing system in October 2016 which substantially changed the complexity of the processing environment from a once-daily batch update process to a real-time continuous update process. (a) The Board recorded adjustments during the audit to correct customer accounts due to delays in the monthly billing processes. (b) Management discovered that a significant number of accounts were not timely billed. (c) Adjustments were also required to resolve differences in revenue and receivables between the customer billing system and the general ledger. (d) The Board did not perform reconciliations in a timely manner to ensure that general ledger account balances were complete and accurate.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

- Cause:** (a) The Board prepared bills in late December 2016 but did not release the bills until early January 2017 while reviewing the bills for accuracy. (b) The Board did not prepare bills on a timely basis when old customers moved out and new customers moved due to the lack of a meter reading taken when the old customer moved out. (c) The Board balanced the new system to the old system at the time of cutover to the new system but did not balance the new system to the general ledger at that time. (d) Customer accounts receivable balances were not properly reconciled to the customer billing system resulting in significant adjustments subsequent to year-end.
- Effect:** During the audit process, material adjustments were posted by the Board to the customer revenue and receivable balances. In addition, due to delayed billings of customer accounts, invoices were not generated on a timely basis and certain fees were not billed to the customers affected. As a result, a potential loss of revenues to the Board was identified.
- Recommendations:** The Board should develop procedures to ensure that billings are completed in a timely manner. These procedures should include performing analysis to detect unusual fluctuations due to errors and reconciling the billing system to the Board's general ledger system on at least a monthly basis.
- Management's Response:** Management concurred with the finding and outlined a corrective action (See page 12).

2016-002 Reconciliation of Construction in Progress

- Criteria:** The Board has a significant number of construction projects in progress. The Board should have systems of internal accounting control, which provide for proper accounting and financial reporting of capital assets, including the proper recording of the completion of construction projects.
- Condition:** The Board did not have adequate policies, procedures, and internal controls in place to ensure that all construction projects that were substantially complete were closed out and transferred to depreciable assets on a timely basis. In addition, the Board did not timely provide a detail of open construction projects that agreed to the amount reported.
- Context:** During audit procedures, we noted that projects that were substantially complete had not been transferred to depreciable assets. In addition, the detailed listing of open projects did not agree to the amount of construction in progress (CIP) recorded in the general ledger.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Schedule of Findings and Questioned Costs

Year ended December 31, 2016

Cause:	The Board has not performed sufficient procedures to ensure that projects that were essentially completed had been closed out from construction work-in-progress to the plant ledger.
Effect:	Significant adjustments were posted by the Board to the capital asset balances.
Recommendations:	The Board should improve policies and procedures and related internal controls to ensure that capital assets are properly classified. These controls should include maintaining accurate and complete CIP listings and appropriate review of depreciable asset and CIP balances to ensure proper accounting and financial reporting. The Board should also strengthen its reconciliation of its CIP listing and implement a formal review procedure of the capital assets roll forward and projects within the CIP account to ensure that the amounts recorded on the roll forward agree to the amounts recorded on the trial balance by individual capital asset account.
Management's Response:	Management concurred with the finding and outlined a corrective action (See page 12).

(3) Findings and questioned costs related to federal awards

None noted.

SEWERAGE AND WATER BOARD OF NEW ORLEANS
New Orleans, Louisiana

Summary Schedule of Prior Audit Findings

Year ended December 31, 2016

The Board had no prior year audit findings.



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

Sewerage & Water Board OF NEW ORLEANS

MITCHELL J. LANDRIEU, President
SCOTT JACOBS, President Pro-Tem
CEDRIC S. GRANT, Executive Director

625 ST. JOSEPH STREET
NEW ORLEANS, LA 70185 • 504-529-2837 OR 52-WATER
www.swbno.org

June 27, 2017

Ms. Brandy Smith, Partner
Postlethwaite & Netterville, APAC
One Galleria Blvd., Ste. 2100
Metairie, LA 70001

RE: Corrective Action Plan for Findings in 2016 Audit

Dear Ms. Smith:

This letter is intended to document the Corrective Action Plan for findings 2016-001 and 2016-002 contained in the 2016 Audit.

2016-001 Customer Accounts, Receivable and Revenue

- Criteria:** The Board should have adequate internal controls in place to ensure customer accounts are reconciled monthly to the general ledger systems. In addition, the Board should have procedures in place to ensure that all customers are properly billed on a monthly basis.
- Condition:** The Board implemented a new customer billing system in October 2016 which substantially changed the complexity of the processing environment from a once-daily batch update process to a real-time continuous update process. (a) The Board recorded adjustments during the audit to correct customer accounts due to delays in the monthly billing processes. (b) Management discovered that a significant number of accounts were not timely billed. (c) Adjustments were also required to resolve differences in revenue and receivables between the customer billing system and the general ledger. (d) The Board did not perform reconciliations in a timely manner to ensure that general ledger account balances were complete and accurate.
- Cause:** (a) The Board prepared bills in late December 2016 but did not release the bills until early January 2017 while reviewing the bills for accuracy. (b) The Board did not prepare bills on a timely basis when old customers moved out and new customers moved due to the lack of a meter reading taken when the old customer moved out. (c) The Board balanced the new system to the old system at the time of cutover to the new system but did not balance the new system to the general ledger at that time. (d) Customer accounts receivable balances were not properly reconciled to the customer billing system resulting in significant adjustments subsequent to year-end.

Effect: During the audit process, material adjustments were posted by the Board to the customer revenue and receivable balances. In addition, due to delayed billings of customer accounts, invoices were not generated on a timely basis and certain fees were not billed to the customers affected. As a result, a potential loss of revenues to the Board was identified.

Recommendations: The Board should develop procedures to ensure that billings are completed in a timely manner. These procedures should include performing analysis to detect unusual fluctuations due to errors and reconciling the billing system to the Board's general ledger system on at least a monthly basis.

Corrective Action Plan: Management agrees with this recommendation and has already accomplished the items specifically identified in the Condition and Cause. (a) Management has significantly reduced the frequency of occasions when bills are being held for extensive review before being released. (b) Management has resolved the problem of lacking a meter reading when a customer moves out. (c) Management has resolved the reconciliation of the new system to the general ledger. (d) Management has significantly reduced the problems reconciling the new customer accounts receivable balances on the general ledger to the customer billing system. In addition, Management has engaged consultants to review the processes that make up the entire revenue cycle to improve the internal controls to ensure customer accounts are reconciled monthly to the general ledger systems and to ensure that all customers are properly billed on a monthly basis. This review will be completed and the changes needed to accomplish this recommendation will be implemented by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

2016-002 Reconciliation of Construction in Progress

Criteria: The Board has a significant number of construction projects in progress. The Board should have systems of internal accounting control, which provide for proper accounting and financial reporting of capital assets, including the proper recording of the completion of construction projects.

Condition: The Board did not have adequate policies, procedures, and internal controls in place to ensure that all construction projects that were substantially complete were closed out and transferred to depreciable assets on a timely basis. In addition, the Board did not timely provide a detail of open construction projects that agreed to the amount reported.

Context: During audit procedures, we noted that projects that were substantially complete had not been transferred to depreciable assets. In addition, the detailed listing of open projects did not agree to the amount of construction in progress (CIP) recorded in the general ledger.

Cause: The Board has not performed sufficient procedures to ensure that projects that were essentially completed had been closed out from construction work-in-progress to the plant ledger.

Effect: Significant adjustments were posted by the Board to the capital asset balances.

Recommendations: The Board should improve policies and procedures and related internal controls to ensure that capital assets are properly classified. These controls should include maintaining accurate and complete CIP listings and appropriate review of depreciable asset and CIP balances to ensure proper accounting and financial reporting. The Board should also strengthen its reconciliation of its CIP listing and implement a formal review procedure of

the capital assets roll forward and projects within the CIP account to ensure that the amounts recorded on the roll forward agree to the amounts recorded on the trial balance by individual capital asset account.

Corrective
Action Plan:

Management agrees with this recommendation. Management is changing the organizational responsibilities related to accounting for construction work-in-progress and capital project closeout. As part of this change in responsibilities, the Board will improve the policies and procedures and related internal controls for project accounting. The changes needed to accomplish this recommendation will be implemented by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

Sincerely,



Robert K. Miller
Deputy Director / Chief Financial Officer



30th Floor, Energy Centre, 1100 Poydras Street - New Orleans, LA 70163-3000
One Galleria Boulevard, Suite 2100 - Metairie, LA 70001
800-201-7332 Phone - 504-837-5990 Phone - 504-834-3609 Fax - pncpa.com

A Professional Accounting Corporation

**Members of the Board
Sewerage and Water Board of New Orleans**

We have audited the financial statements of the Sewerage and Water Board of New Orleans (the Board) as of and for the year ended December 31, 2016 and have issued our report thereon dated June 27, 2017. In planning and performing our audit of the financial statements of the Board, we considered internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration. These comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

2016 Comments

2016-1 Preparation of schedule of expenditures of federal awards

- | | |
|-------------------------------|--|
| <i>Observation:</i> | While the Board provides the necessary information to prepare the schedule of expenditures of federal awards (SEFA) in accordance with the Uniform Guidance, the Board does not compile the information to create a formal SEFA. |
| <i>Recommendation:</i> | The Board should implement processes and procedures to prepare the SEFA in accordance with the Uniform Guidance. |
| <i>Management's Response:</i> | Management agrees with this recommendation and will develop and implement procedures to ensure that SEFA is timely prepared and reviewed in accordance with the Uniform Guidance by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished. |

2016-2 Inventory information

- Observation:* While the Board performs annual inventory observation at the Central Yard, the Board does not review the values of its inventory items or perform monthly reconciliations by examining the supporting documentation to ensure the general ledger reflects current value of the items.
- Recommendation:* The Board should implement processes and procedures to periodically review the inventory items and their values recorded in the general ledger by examining the most recent purchase documents to ensure the fair value of the inventory items are properly reflected in the financial statements.
- Management's Response:* Management agrees with this recommendation and will develop and implement procedures to ensure that there is proper supporting documentation to support values of the inventory items recorded in the general ledger by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

2016-3 Misappropriation of assets

- Observation:* On December 14, 2016, the Office of Inspector General of City of New Orleans announced findings related to the theft of certain high value inventory items by the Board's employees. The Board subsequently implemented additional control procedures to deter and detect fraud.
- Recommendation:* The Board should strengthen preventative processes and procedures over safeguarding of its assets. In addition, the Board should communicate with its employees the importance of ethical behavior and the Board's code of conduct.
- Management's Response:* Management agrees with this recommendation, has completed a review and update of policies and procedures, has communicated with employees regarding the importance of ethical behavior and the Board's code of conduct, and has implemented additional security measures at the warehouse. Management believes that no further action is required to address this recommendation.

2016-4 Reconciliation of accounts payable

Observation:

During the audit process, the accounts payable reconciliation was continuously being updated to include additional invoices that were submitted for processing. The Board did not have adequate controls in place to ensure completeness and accuracy of accounts payable at month-end/year-end. In addition, the reconciliation of accounts payable was not completed on a timely basis, which caused additional delays to close out projects and complete the reconciliation of property, plant, and equipment.

Recommendation:

The Board should implement processes and controls to ensure timely receipt of vendor invoices and reconciliation of accounts payable.

Management's Response:

Management agrees with this recommendation. Management has reviewed the accounts payable reconciliation process and will ensure that the accounts payable is reconciled at least monthly by September 30, 2017. Robert Miller, Deputy Director / Chief Financial Officer, is responsible for ensuring that this is accomplished.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Board's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

The Board's written response to our comments and recommendations has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of Board, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

New Orleans, Louisiana
June 27, 2017