

SEWERAGE & WATER BOARD OF NEW ORLEANS

AUDIT COMMITTEE MEETING

WEDNESDAY, AUGUST 8, 2018

11:30 AM

**625 ST. JOSEPH STREET
2ND FLOOR BOARD ROOM**

**Dr. Tamika Duplessis, Chair • Robin Barnes
Lynes Sloss • Lewis Stirling**

FINAL AGENDA

ACTION ITEMS

1. Discussion and Consideration of proposed Audit Committee Charters.
2. Resolution (R-122-2018) Independent Financial Auditing Service Professional Services Amendment

PRESENTATION ITEMS

3. Update on Comprehensive Annual Financial Report (verbal only)
4. Preliminary 2018 Internal Audit Work Plan
5. Update on external audits and investigations (verbal only)*
6. Introduction to Enterprise Risk Management

INFORMATION ITEMS

7. Proposed Audit Committee Charter

EXECUTIVE SESSION*

8. If Necessary

ADJOURNMENT

*Note: The Committee reserves the right to enter into Executive Session pursuant to Louisiana statute (LA. R.S. 42:6; 42:6.1)

Sewerage & Water Board of New Orleans



Audit Committee Charter

Date Authorized: August 8, 2018

Supersedes all prior versions of this charter

Distribution: Audit Committee

The following document is established to define the role and responsibilities of the Audit Committee of the Board of Directors of the Sewerage & Water Board of New Orleans.

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Governing Authority

This charter is governed by the Sewerage & Water Board of New Orleans' Audit Committee and Board of Directors.

Introduction

The Audit Committee charter is required by the International Standards for the Professional Practice of Internal Auditing. The charter is a formal document that provides guidance to the Audit Committee members as to best practices in audit governance. It is not intended to supplant board actions or policies.

Purpose

The primary purpose of the Committee is to assist the Board of Directors in fulfilling its responsibility to ensure that management achieves organizational objectives while maintaining an effective system of internal control and risk management. The scope of this effort includes oversight of the audit process with a focus on: internal and external financial reporting; the effectiveness and efficiency of operations; compliance with applicable laws, regulations, policies and procedures; review of all contracts awarded by the Executive Director; the safeguarding of assets; and the Board's risk management processes.

Authority

The Audit Committee charter sets out the authority of the audit committee to carry out the responsibilities established for it by the Board as articulated within the Audit Committee charter.

In discharging its responsibilities, the audit committee will have unrestricted access to members of management, employees, and relevant information it considers necessary to discharge its duties. The committee will also have unrestricted access to records, data, and reports. If access to requested documents is denied, the Audit

Committee will follow a prescribed, Board approved mechanism for resolution of the matter.

The Committee is entitled to receive any explanatory information that it deem necessary to discharge its responsibilities. Sewerage and Water Board of New Orleans management and staff should cooperate with audit committee requests.

Composition of the Audit Committee

The Committee shall consist of five members of the Board, to be appointed by the President of the Board. Three members of the audit committee shall constitute a quorum. All members must be independent of the organization.

Meetings

The Committee should meet at least once per calendar quarter. Meetings may be held more often at the discretion of the Committee Chairman. Following each meeting, the Committee Chairman shall report on the Committee's activities, discussions, and decisions to the Board of Directors.

The Chairman will establish agendas for audit committee meetings in consultation with audit committee members, legal counsel, senior management, and the Internal Audit Manager.

Primary Committee Responsibilities

The Committee should review and assess:

- **Risk Management** – The Board's business risk management process, including the adequacy of the company's overall control environment and controls in selected areas representing significant financial and business risk.
- **Annual Reports and Other Major Regulatory Filings** – All major financial reports in advance of filing or distribution.

- **Internal Controls and Regulatory Compliance** – Management’s assessment of the system of internal controls for detecting accounting and reporting financial errors, fraud and defalcations, legal violations, and noncompliance with the code of conduct.
- **Internal Audit Responsibilities** – The annual audit plan and the process used to develop the plan; Status of activities, significant findings, recommendations, and management’s response.
- **Regulatory Examinations** – The results of examinations by regulatory agencies in terms of important findings, recommendations, and management’s response.
- **External Audit Responsibilities** – Auditor independence and the overall scope and focus of the annual/interim audit, including the scope and level of involvement with unaudited interim-period information.
- **Financial Reporting and Controls** – Key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditor views, and the basis for audit conclusions. Important conclusions on interim and/or year-end audit work in advance of the public release of financials.
- **Auditor Recommendations** – Important internal and external auditor recommendations on financial reporting, controls, other matters, and management’s response. The views of management and auditors on the overall quality of annual and interim financial reporting.

Relationship with Internal Auditors

- The Committee shall review and approve the Internal Audit department’s annual audit plan and all major changes to the plan.
- The Committee shall review and discuss with the internal auditors the scope, progress and results of executing the internal audit plan.

- The Committee shall receive reports on the status of significant findings and recommendations, and management's responses.
- The Committee shall review the Charter, reporting relationship, activities, staffing, organizational structure and credentials of the Internal Audit department.
- The Committee shall review and concur on the appointment, replacement, reassignment or dismissal of the Internal Audit Director, who shall have direct access to the Committee.
- The Committee shall review the annual performance of the internal audit function.

Relationship with External Auditors

- Assess all relationships between the independent auditor and the Board to verify the auditors' independence.
- Consult at least once per year with the external auditor regarding the fair presentation of the financial statements, updates in developments affecting external financial reporting, the status of the internal control environment, the effectiveness of management's identification and management of risk, independence of the external auditor, and certain other matters required under generally accepted auditing standards.
- The Committee should be responsible for pre-approving all audit and non-audit services, including the scope of such work performed by the external auditors.
- Following completion of the external audit, review with management, the external auditor, and the Internal Audit Manager, any issues encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

- The Committee shall determine the appropriate funding needed by the Committee for payment of compensation to the independent auditor engaged for preparing or issuing audit reports, or performing other audit, review or attest services for Board.
- The Committee shall have the authority to retain outside counsel, accountants, experts and other advisors that it deems appropriate to assist the Committee in performing its functions.
- Review any significant disagreement among management and the external auditor concerning the preparation of the financial statements.
- Meet at least once per year with the external auditor without management present.

Risk Management and Controls

- The Committee shall discuss the Board's policies on risk assessment and risk management, including the risk of fraud.
- The Committee also shall discuss the Board's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- The Committee shall review with senior management the Board's overall antifraud programs and controls.
- The Committee shall discuss with the internal auditors and the independent auditor the overall scope and plans for their respective audits, including the adequacy of staffing and budget or compensation.

Investigative Authority

The Committee shall be empowered to investigate any matter brought to its attention with full access to all Board, records and personnel, using special counsel or outside experts when necessary or appropriate.

Approval

Audit Committee Charter

Approved this _____ day of _____, _____.

Special Counsel

Executive Director

Chairman Audit Committee

SWBNO Audit Committee Charter Amendment Summary of Changes

Purpose: To support the changes to previously adopted SWBNO Audit Committee Charter signed on September 21, 2016 according to R107-2016.

Audience/User: SWBNO Audit Committee

Best Practice

Recommendations: According to the Institute of Internal Auditors (IIA) that governs the internal audit function:

- The audit committee charter should be reviewed periodically (e.g., at least every two to three years) by the Audit Committee.
- The audit committee charter must be compatible with that of the internal audit charter.
- The audit committee charter should be formatted so that information within the charter is easily accessible and readable.

Below is a chart summarizing the changes made to the Audit Committee Charter with reasons to support the changes:

Proposed Amended Changes	Basis for Change
Re-formatted to include cover page, table of contents, added subtitles, and an approval section.	To provide a more efficient and readable document that would make it easier for audit committee members to locate information within the charter in a timely manner.
The following subtitles were added: Governing Authority, Introduction, Authority, and Composition.	<u>Governing Authority</u> - states that the Audit Committee governs the charter. <u>Introduction</u> - states the requirement of the charter, its guidance, and authority. <u>Authority</u> - explains in detail the authority of the audit committee. <u>Composition</u> -states how the Audit Committee shall be composed of, what constitutes a quorum, and the independence of members.
The following subtitles were omitted: Committee Operating Principles	The following information was omitted because part of it is added under the following subtitles: Meetings, Primary Committee Responsibilities, Risk Management and Controls, Relationships with the Internal Authorities, and Relationship with External Auditors.

<p>The following detail was added under the Purpose subtitle:</p> <p><i>“review of all contracts awarded by the Executive Director.....”</i></p>	<p>As discussed in prior Audit Committee meeting, the committee is considering moving the oversight of Board contracts from the Finance Committee to the Audit Committee.</p>
<p>Authority Subtitle</p>	<p>The Vice Chair signature was removed and the Special Counsel signature was added as it applies to this committee.</p>

Sewerage & Water Board of New Orleans



Internal Audit Charter

Date Authorized: August 8, 2018

Supersedes all prior versions of this charter

Distribution: Audit Committee

The following document is established to define the internal audit activity's purpose, authority, responsibility and position within the Sewerage & Water Board of New Orleans.

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Governing Authority

This charter is governed by the Sewerage & Water Board of New Orleans' Audit Committee and Internal Audit department.

Introduction

The internal audit charter is required by the International Standards for the Professional Practice of Internal Auditing. The charter is a formal document that defines the Internal Audit department's purpose, authority and responsibility; establishes the internal audit position within the institution; authorizes access to records, personnel, and physical properties relevant to the performance of audit work; and defines the scope of internal audit activities.

Purpose

The purpose Internal Audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the Board's operations. The Internal Audit department examines and evaluates the institutions' activities and their systems of controls to determine whether acceptable policies and procedures are followed, whether legislative requirements and established standards are met; whether resources are used efficiently and economically, whether planned missions are accomplished effectively, and whether the objectives of the organization are being achieved.

Mission

The mission of the Internal Audit activity is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit department helps the Board accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Authority

Sewerage & Water Board of New Orleans' Internal Audit personnel report to the Internal Audit Manager, who reports functionally to the Audit Committee/Board and administratively to the Executive Director. It functions independent of each Board department and function.

Internal Audit is authorized to:

- Have unrestricted access to all company or related functions, records, property, and personnel.
- Have full and free access to the Audit Committee, including in private meetings without management present.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary cooperation and assistance of personnel in departments within the organization where they perform audits, as well as other specialized services from within or outside the organization.
- Consult to management on matters such as the design of business control systems, risk management activities, and governance processes.
- Have the authority to require a written response to audit observations and recommendations contained in audits.

Organization

The Internal Audit Manager will report functionally to the Audit Committee/Board and administratively to the Executive Director.

The Audit Committee will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive communications from the Internal Audit Manager or on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Internal Audit Manager.
- Make appropriate inquiries of management and the Internal Audit Manager to determine whether there is inappropriate scope or resource limitations.

Independence & Objectivity

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Internal Audit Manager will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.
- Ensure significant financial, managerial, and operating information is accurate, reliable, and provided timely.
- Evaluating employees' actions are in compliance with policies, rules, procedures and applicable laws and regulations;

Internal Audit Plan

At least annually, the Internal Audit Manager will submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The Internal Audit Manager will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Internal Audit Manager will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan must be reported to the Audit Committee.

Nature of Assurance Services Provided

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusion regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter – the process owner, (2) the person or group making the assessment – the internal auditor, and (3) the person or group using the assessment – the user.

Nature of Consulting Services Provided

Consulting services are advisory in nature, and are generally performed at the specific request of management. The nature and scope of the consulting engagement are subject to agreement with management. Consulting services generally involve two parties: (1) the person or group offering the advice – the internal auditor, and (2) the person or group seeking and receiving the advice – management. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility

Reporting & Monitoring

A written report will be prepared and issued by the Internal Audit Manager or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee. The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

In addition, the internal audit activity will adhere to Sewerage & Water Board of New Orleans' relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Quality Assurance & Improvement Program

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Internal Audit Manager will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approval

Internal Audit Activity Charter

Approved this _____ day of _____, _____.

Special Counsel

Internal Audit Manager

Chairman Audit Committee

SWBNO Internal Audit Committee Charter Amendment Summary of Changes

Purpose: To support the changes to the previously adopted SWBNO Internal Audit Charter adopted on August 21, 2013 according to R166-2013. The current Internal Audit Charter is over five years old.

Audience/User: SWBNO Audit Committee and Internal Audit Department

Best Practice

Recommendations: According to the Institute of Internal Auditors (IIA) that governs the internal audit function:

- The internal audit charter should be reviewed periodically (e.g., at least annually) by the Internal Audit Manager and presented to the Board and Senior Management for approval.
- The internal audit committee charter must be compatible with that of the audit committee charter.
- The internal audit charter should be formatted so that information within the charter is easily accessible and readable.

Below is a chart summarizing the changes made to the Audit Committee Charter with reasons to support the changes:

Proposed Amended Changes	Basis for Change
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The following subtitles were added: Governing Authority, Introduction, Purpose, Organization, Internal Audit Plan, Nature of Assurance Services Provided, Nature of Consulting Services Provided, Reporting & Monitoring, Quality Assurance & Improvement Program, and Approval.	<u>Governing Authority</u> - states that the Audit Committee and the Internal Audit department govern the charter. <u>Introduction</u> - states the requirement of the charter, its guidance, and authority. <u>Purpose</u> : states the purpose on the Internal Audit activity. <u>Organization</u> -based on the IIA standards, this subtitle states to whom the internal audit function reports to and the responsibility of the audit committee <u>Internal Audit Plan</u> -states the Internal Audit manager's responsibilities regarding the

	<p>internal audit plan.</p> <p><u>Nature of Consulting Services Provided & Nature of Assurance Services Provided</u> – state the types of audit services conducted and in what manner.</p> <p><u>Professionalism</u>-describes the types of mandatory guidance internal auditors must adhere to.</p> <p><u>Quality Assurance & Improvement Program</u>-must be included to evaluate the performance of the internal audit activity.</p> <p><u>Approval</u>-approval signature page.</p>
<p>The following subtitles were omitted: Policy, Objectives, Accountability, Independence, and Standards of the Practice</p>	<p>The following information was omitted because part of it is added under the following subtitles:</p> <p>Governing Authority, Introduction, Purpose, Organization, Internal Audit Plan, Nature of Assurance Services Provided, Nature of Consulting Services Provided, Reporting & Monitoring, and Quality Assurance & Improvement Program.</p>
<p>Authority Subtitle</p>	<p>The Executive Director signature was removed; Executive Director would sign the Resolution approving the charter. The Special Counsel and Chairman of the Audit Committee signature were added as it applies to this committee.</p>

INDEPENDENT FINANCIAL AUDITING PROFESSIONAL SERVICES AMENDMENT

WHEREAS, additional billing for professional services rendered by Richard CPAS, LLC, is requested and;

WHEREAS, the initial contract was \$15,000.00. This request of an additional \$50,000.00 is necessary for the completion of the professional services rendered of the 2017 Audit work in connection with the consulting regarding customer accounts receivable and other reporting matters in accordance with the contract dated July 12, 2018 and;

NOW THEREFORE, BE IT RESOLVED by the Sewerage and Water Board of New Orleans that the approval of an additional \$50,000.00 be added to increase the total amount to \$65,000.00 for the completion of the 2017 audit professional services.

I, Jade Brown-Russell, Acting Executive Director Sewerage and Water Board of New Orleans, do hereby certify that the above and foregoing is a true and correct copy of a resolution adopted at the Regular Monthly Meeting of said Board, duly called and held, according to law,
August 15, 2018

Jade Brown-Russell
Acting Executive Director
Sewerage and Water Board of New Orleans



SEWERAGE AND WATER BOARD

Inter-Office Memorandum

Date: August 1, 2018

To: Jade Brown-Russell, Acting Executive Director

From: Yvette Downs, Chief Financial Officer

Re: Change Order - \$50,000.00 Richard CPAS, LLC

A change order in the amount of \$50,000.00 is requested to Richard CPAS, LLC to complete the work initiated for the 2017 Audit.

This request is necessary as a result of extra time needed to complete the 2017 Audit information. The initial amount was \$15,000.00. The total now will be \$65,000.00 for the completion of this contract.

Please see attached resolution #R-122-2018.

CC: Rosita Thomas

PROFESSIONAL SERVICES AGREEMENT
SEWERAGE AND WATER BOARD OF NEW ORLEANS

AND

RICHARD CPAS, LLC

THIS PROFESSIONAL SERVICES AGREEMENT (the "Agreement") is made and entered into effective the 12th day of July 2018 (the "Effective Date"), by and between the **SEWERAGE AND WATER BOARD OF NEW ORLEANS**, represented by **JADE BROWN-RUSSELL, ACTING EXECUTIVE DIRECTOR** ("Board"), and **RICHARD CPAS, LLC**, represented by **ALBERT J. RICHARD III, MANAGING MEMBER** ("Consultant").

WHEREAS, the Board is a political subdivision organized under the law of the State of Louisiana, providing water, sewerage and drainage services in New Orleans, Louisiana; and

WHEREAS, Consultant is a limited liability company organized and in good standing under the laws of the State of Louisiana, providing professional certified public accounting and financial consulting services; and

WHEREAS, Consultant has proposed to perform for the Board professional, accounting and financial consulting services related to the accounting and financial reporting of customer accounts receivable balances and other potential accounting and reporting issues as identified by the Board's management; and

WHEREAS, Board has need of independent accounting and financial consulting services related to the accuracy, calculation and general management of its customer accounts receivable.

NOW THEREFORE, the parties, each having the authority to do so, for the considerations and under the conditions set forth herein, hereby agree as follows:

ARTICLE I – OBLIGATIONS OF THE PARTIES

A. CONSULTANT's OBLIGATIONS. Consultant will, in accordance with the schedule developed with and approved by the Board (the "Schedule"), with the expectation that work shall commence during the week of July 9, 2018, and conclude with a final report on or before September 30, 2018:

1. Perform all services and obligations as set forth herein, including:
 - a) Assisting in the analysis and reconciliation of the Board's customer accounts receivable subsidiary ledger to the AFIN general ledger system as of and for the periods ending December 31, 2017 and June 30, 2018.
 - b) Review and analysis of the source and verification of data relating to the interface between the customer accounts receivable system and the AFIN general ledger system.
 - c) Documentation of the sources of and underlying support for interface entries to the AFIN general ledger system.

- d) Analysis of impact of adjustments to disputed balances to identify potential impacts on general ledger customer accounts receivable balances and on interfaces between the customer accounts receivable balances and AFIN general ledger balances.
 - e) Assist in accounting and report issues as identified by the Board's management requiring additional analysis for reporting in its financial statements for the year ending December 31, 2017.
 - f) Upon completion of the procedures, issue written reports on the results of the procedures performed, and related recommendations to management, including summaries of any analyses performed.
2. Submit complete and accurate invoices, maintain records, submit to audits and inspections, maintain insurance, and perform all other obligations of the Consultant as set forth in this Agreement.
 3. Promptly correct any errors or omissions and any work deemed unsatisfactory or unacceptable by the Board, at no additional compensation.
 4. Comply with all laws, ordinances, regulations, and other authorities or requirements applicable to Consultant and its activities hereunder.
 5. Monitor, supervise, and otherwise control and be solely responsible for all persons performing work on its behalf.
 6. Perform all requirements, if any, set forth in La. R.S. 38:2192, including without limitation the payment of any associated costs, and submit a copy of any recorded documents to the Board within thirty (30) days after the approval of the associated plan change or amendment.
 7. Provide a corporate resolution attesting to the authority of the execution of this agreement on its behalf.
 8. Cooperate with the Board and any person performing work for the Board.
 9. Replace any personnel assigned to provide services under this Agreement who are deemed unsuitable by the Director or Contract Administrator.

The Board's officers and employees are not authorized to request or instruct the Consultant to perform any work beyond the scope or duration of this Agreement in the absence of an executed amendment to this Agreement.

B. Board's Obligations. The Board shall:

1. Administer this Agreement through the Chief Financial Officer of the Board.
2. Designate a member of senior management, who possesses suitable skill, knowledge, and/or experience (the "Project Sponsor") to:
 - a) oversee the services and conduct of this project, including coordination of resources needed and review of draft deliverables;

- b) make all management decisions and perform all management functions, including determining account coding and approving any proposed journal entries;
 - c) evaluate the adequacy and results of the services performed;
 - d) accept responsibility for the results of the services, including decisions regarding the implementation of any recommendations provided by Consultant; and
 - e) establish and maintain internal controls as well as monitor ongoing activities.
3. Cooperate with Consultant to assist in its assessments and development of recommendations.
 4. Provide Consultant with documents and information mutually deemed reasonably necessary for the performance of any Work required under this Agreement.
 5. Provide access to Board personnel to discuss the required Services during normal working hours, as requested by Consultant.
 6. Provide support personnel necessary to achieve timely completion of the project. Support includes, but is not limited to, the collection of all relevant documents (paper or electronic) and the scheduling of interviews and coordination of meetings, specifically including but not limited to designated staff responsible for reviewing any draft deliverables provided by Consultant on a timely basis.
 7. Make payments to the Consultant at the rate of compensation established in this Agreement based upon the Consultant's certified invoices, except:
 - a. The Board's obligation to pay is contingent upon the Consultant's submission of a complete and accurate invoice, and satisfactory performance of the services and conditions required by this Agreement.
 - b. The Board, in its discretion, may withhold payment of any disputed amounts, and no interest shall accrue on any amount withheld pending the resolution of the dispute.
 - c. The Board may set off any amounts due to the Consultant against any amounts deemed by the Board to be owed to the Board by the Consultant pursuant this Agreement.
 - e. If this Agreement is terminated for any reason, the Board will pay the Consultant only for the work requested by the Board and satisfactorily performed by the Consultant through the date of termination, except as otherwise provided in this Agreement.

ARTICLE II – TERM

- A. **Initial Term.** The initial term of this Agreement is six (6) months from the Effective Date.
- B. **Extension.** The Board may extend the term this Agreement for up to two (2) successive six (6) month periods pursuant to validly executed amendments, provided that any extension of this Agreement shall be subject to and contingent upon the encumbrance of funds, the Board determines that the extension facilitates the continuity of services provided under this Agreement, and the total duration of the Agreement including the original term and any extensions shall not exceed one (1) year.

ARTICLE III – COMPENSATION

- A. **Maximum Compensation.** The Board will pay the Consultant an amount not to exceed the sum of Fifteen Thousand and 00/100 (\$15,000.00) per year at the following hourly rates based upon the complexity of the work to be performed. Consultant will obtain written authorization from the Project

Sponsor for individual tasks to be performed and each task request will include the maximum hours allowed for the task, which shall not be exceeded without prior written approval. Out of pocket expenses will not be billed separately; these expenses are included in the hourly rates.

a. Partners	\$200.00
b. Managers	\$135.00
c. Seniors	\$105.00
d. Staff	\$ 90.00

B. Invoices:

1. The Consultant will submit monthly invoices for work performed under this Agreement to the Board no later than ten (10) calendar days following the end of the period covered by the invoice. All invoices must be signed by an authorized representative of the Consultant under penalty of perjury attesting to the validity and accuracy of the invoice.

2. All invoices will be in a form approved by the Board. The Board may require changes to the form of the invoice and may require additional supporting documentation to be submitted with invoices.

3. The Consultant will submit to the Board one (1) original invoice and four (4) copies with any of back-up or verification documentation required by the Board. The invoices will be in a form previously approved by the Board and must show at a minimum all services performed in the prior month, all time expended in the performance of those services, the amount that the Consultant claims is due for those services and the basis for calculation of amounts to be paid.

4. The stated compensation is inclusive, and includes no additional amounts for, the Consultant's costs, including without limitation all expenses relating to overhead, administration, subcontractors, employees, bid preparation, bonds, scheduling, invoicing, insurance, record retention, reporting, inspections, audits, the correction of errors and omissions, or minor changes within the scope of this Agreement. The Board will not consider or be obligated to pay or reimburse the Consultant any other charges or fees and the Consultant will not be entitled to any additional compensation or reimbursement.

ARTICLE IV – RETENTION, ACCESS AND OWNERSHIP OF RECORDS

A. Records and Reporting.

The Consultant will maintain all books, documents, papers, accounting records, invoices, materials records, payrolls, work papers, personnel records, and other evidence pertaining to the performance of services under this Agreement, including, without limitation, of costs incurred through the later of three years from: (a) the completion of this Agreement (including any renewal or extension periods); or (b) from the resolution of any dispute relating to the Agreement. If this Agreement is terminated for any reason, the Consultant will deliver to the Board all plans and records of work compiled through the date of termination. The Consultant will provide reports as requested by the Board. The Consultant is solely responsible for the relevance and accuracy of all items and details included in any reports relating to the work performed under this Agreement, regardless of any review by the Board.

B. Audit and Inspection.

Consultant will submit to any Board audit, inspection, and review and, at the Board's request, will make available all documents relating or pertaining to this Agreement maintained by or under the

control of the Consultant, its employees, agents, assigns, successors and subcontractors, during normal business hours at the Consultant's office or place of business in Louisiana. If no such location is available, the Consultant will make the documents available at a time and location that is convenient for the Board.

Consultant will abide by all provisions of City Code §2-1120, including but not limited to City Code §2-1120(12), which requires the Consultant to provide the Office of Inspector General with documents and information as requested. Failure to comply with such requests shall constitute a material breach of the contract. The Consultant agrees that it is subject to the jurisdiction of the Orleans Parish Civil District Court for purposes of challenging a subpoena.

Consultant agrees to keep, maintain, and retain, will require all subcontractors to keep, maintain and retain, all books, documents, papers, accounting records, invoices, materials records, payrolls, work papers, personnel records, and other evidence pertaining to the performance of services under this Agreement (or any subcontract or other related agreement) including, without limitation, of costs incurred through the later of three years from: (a) the completion of this Agreement (including any renewal or extension periods); or (b) from the resolution of any dispute relating to the Agreement. If this Agreement is terminated for any reason, Consultant will deliver to the Board all plans and records of work compiled through the date of termination. All accounting records shall be maintained in accordance with generally accepted principles and practices.

The parties agree that all information provided or gathered, all materials used, all documents and reports generated, and any and all other information, material, documents, and the like provided, created, or in any way contributing to or forming part of the Services shall be and remain the exclusive property of the Board, the Board exclusively owns all rights, title and interest in and to all of the Board's data, including all data developed by Consultant pursuant to this Agreement, and the Board can retrieve its data from Consultant at any time and at no cost during the Term. In concert with the Board, Consultant will use their best commercially available efforts to propose a bulk transfer function that can be utilized by the. Consultant agrees to accommodate requests made by Board or a vendor working on behalf of the Board and approved by it, for information and assistance in integrating Board data with a third party application at no additional cost to the Board.

Consultant will submit regular monthly reports to the Board outlining the status of delivery milestones and benchmarks, and other progress and work performed, indicated in the proposed schedule and the resources incurred towards each task. Consultant is solely responsible for the relevance and accuracy of all items and details included in any reports relating to the work performed under this Agreement, regardless of any review by the Board.

ARTICLE V - REPRESENTATIONS AND WARRANTIES

Consultant represents and warrants to the Board that:

1. It, through its duly authorized representative, has the full power and authority to enter into and execute this Agreement.
2. It has the requisite expertise, qualifications, staff, materials, equipment, licenses, permits, consents, registrations, and certifications in place and available for the performance of all work required under this Agreement.

3. It and its employees, agents and subcontractors are fully competent and qualified to perform all the service required to be performed under this Agreement.

4. It has the experience in performing all of the services to be performed hereunder and these services shall be of the highest professional quality.

5. A senior employee of the Consultant and/or any subcontractor will review the Board's Safety Orientation Notice (Notice) and will explain this Notice to every employee who will enter Board facilities. This Notice is included as a part of the specifications for this contract. In addition, the Consultant shall provide proof of its own safety plan and documentation of its application of Consultant's safety plan to this contract.

6. It is bonded, if required by law, and fully and adequately insured for any injury or loss to its employees and any other person resulting from the actions or omissions of the Consultant, its employees, or its subcontractors in the performance of this Agreement.

7. It is not under any obligation to any other person that is inconsistent or in conflict with this Agreement or that could prevent, limit, or impair the Consultant's performance of this Agreement.

8. It has no knowledge of any facts that could prevent, limit, or impair the performance of this Agreement, except as otherwise disclosed to all parties and incorporated into this Agreement.

9. It is not in breach of any federal, state, or local statute or regulation applicable to it or its operations.

10. It has read and fully understands this Agreement and is executing this Agreement willingly and voluntarily.

Consultant will perform its services in accordance with the *Statement on Standards for Consulting Services* issued by the American Institute of Certified Public Accountants ("AICPA"). Such services do not constitute an audit, review, or any other attestation service as those services are defined in AICPA literature applicable to such engagements. Accordingly, these services will not result in the issuance of a written communication to third parties by Consultant regarding financial data or internal controls, expressing an opinion or conclusion or obtaining or providing any form of assurance. This engagement does not include any procedures designed to detect errors, fraud, or theft. Therefore, this engagement cannot be relied upon to disclose such matters.

12. All of the representations and warranties in this Article and elsewhere in this Agreement are true and correct as of the date of this Agreement and the execution of this Agreement by the its representative constitutes a sworn statement, under penalty of perjury, by it as to the truth of the foregoing representations and warranties.

13. Consultant acknowledges that the Board is relying on these representations and warranties and Consultant's expertise, skill, knowledge, and ability to perform as required herein, and that the its respective obligations and liabilities will not be diminished by reason of any approval by the Board.

ARTICLE VI - NON-DISCRIMINATION

A. **Equal Employment Opportunity.** In all hiring or employment made possible by, or resulting from this Agreement, Consultant (1) will not be discriminate against any employee or applicant for employment because of race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry, and (2) where applicable, will take affirmative action to ensure that their employees are treated during employment without regard to their race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry. This requirement shall apply to, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. All solicitations or advertisements for employees shall state that all qualified applicants will receive consideration for employment without regard to race, color, religion, gender, age, physical or mental disability, national origin, sexual orientation, creed, culture, or ancestry.

B. **Non-Discrimination.** In the performance of this Agreement, Consultant will not discriminate on the basis, whether in fact or perception, of a person's race, color, creed, religion, national origin, ancestry, age, sex (gender), sexual orientation, gender identity, domestic partner status, marital status, physical or mental disability, or AIDS- or HIV-status against (1) any employee of the Board working with either of them in any of their operations within Orleans Parish or (2) any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by either of them. Consultant agree to comply with and abide by all applicable federal, state and local laws relating to non-discrimination, including, without limitation, Title VI of the Civil Rights Act of 1964, Section V of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990.

C. **Incorporation into Subcontracts.** Consultant will incorporate the terms and conditions of this Article into all subcontracts, by reference or otherwise, and will require all subcontractors to comply with those provisions.

D. **Consequences.** The Board may terminate this Agreement for cause if either Consultant fails to comply with any obligation in this Article, which failure is a material breach of this Agreement.

ARTICLE VII - INDEPENDENT CONTRACTOR

A. **Independent Contractor Status.** Consultant is an independent contractor and shall not be deemed an employee, servant, agent, partner, or joint venture of the Board and will not hold itself or any of its employees, subcontractors or agents to be an employee, partner, or agent of the Board.

B. **Consultant Subcontracts.** This agreement is between the Board and Consultant only. Any terms that are stated within any Consultant Proposals included within any Work Order to this contract or which will exist as part of any subcontract between the Consultant and any of its subconsultant firms relative to this prime agreement are exclusive to the Consultant and its subconsultants and have no bearing upon this prime agreement nor obligate the Board in any way or matter.

C. **Exclusion of Workers' Compensation Coverage.** The Board will not be liable to Consultant as an independent contractor as defined in La. R.S. 23:1021(7), for any benefits or coverage as provided by the Workers' Compensation Law of the State of Louisiana. Under the provisions of La. R.S. 23:1034, any person employed by the Consultant will not be considered an employee of the Board for the

purpose of Workers' Compensation coverage.

D. Exclusion of Unemployment Compensation Coverage. Consultant, as an independent contractor, is being hired under this Agreement for hire and defined in La. R.S. 23:1472(E) and neither Consultant, nor anyone employed by it will be considered an employee of the Board for the purpose of unemployment compensation coverage, which coverage same being hereby expressly waived and excluded by the parties, because: (a) they each and both have been and will be free from any control or direction by the Board over the performance of the services covered by this contract; (b) the services to be performed by Consultant and/or such person or entity are outside the normal course and scope of the Board's usual business; and (c) Consultant and such person or entity have each been independently engaged in performing the services required of them under this Agreement prior to the date of this Agreement.

E. Waiver of Benefits. Consultant, as an independent contractor, will not receive from the Board any sick and annual leave benefits, medical insurance, life insurance, paid vacations, paid holidays, sick leave, pension, or Social Security for any services rendered to the Board under this Agreement.

ARTICLE VIII – INDEMNIFICATION

To the fullest extent permitted by law, Consultant agrees to protect, defend, indemnify and hold harmless the Board, its agents, employees officials, insurers, self-insurance funds, and assigns (collectively, the "Indemnified Parties") from and against all claims, demands, actions, suits, judgments of sums of money, liabilities, losses (including, without limitation, economic losses) and costs, arising out of or related to (a) any actual or alleged act or omission in the performance of the Services by one another or any contractor or subcontractor or (b) any act outside the scope of the Services by either party or any contractor, for loss of life or injury or damage to persons or property arising from any act or omission or the operation of Consultant, its agents, subcontractors, or employees during the performance of any work under this Agreement; and for any and all claims and/or liens for labor, services, or materials furnished in connection with the performance of work under this Agreement.

ARTICLE IX – TERMINATION

The parties shall each have the right to terminate this Agreement whether with or without cause by giving the other party written notice of its intent to terminate at least thirty (30) days prior to the date of termination.

ARTICLE X – NOTICES

Any notice, demand, communication or request required or permitted hereunder shall be in writing and delivered in person or by certified mail, return receipt requested as follows (however, email addresses are provided for convenience only).

1. Board:

Office of the Executive Director
625 St. Joseph Street, Room 233
New Orleans, LA 70165

and

Yvette Downs, Chief Financial Officer
Sewerage and Water Board of New Orleans
625 St. Joseph Street
New Orleans, LA 70165

and

Office of the Special Counsel
625 St. Joseph Street, Room 201
New Orleans, LA 70165

2. Consultant:

Richard CPAS, LLC
3421 North Causeway Blvd, Ste. 403
Metairie, LA 70002

All notices required or permitted hereunder shall be in writing and shall be effective when received by each of the above-referenced individuals at the mailing (not email) addresses specified above. Each party shall be responsible for notifying the other in writing that references this Agreement of any changes in the respective addresses set forth above.

ARTICLE XI – ADDITIONAL PROVISIONS

A. Limitations of the Board's Obligations. The Board has no obligations not explicitly set forth in this Agreement or any incorporated documents or expressly imposed by law.

B. Ownership Interest Disclosure. Consultant each will provide a sworn affidavit listing all natural or artificial persons with an ownership interest in them and stating that no other person holds an ownership interest in them via a counter letter. For the purposes of this provision, an "ownership interest" shall not be deemed to include ownership of stock in a publicly traded corporation or ownership of an interest in a mutual fund or trust that holds an interest in a publicly traded corporation.

C. Subcontractor Reporting. Consultant will provide a list of all natural or artificial persons who are retained by either of them at the time of the Agreement's execution and who are expected to perform work as subcontractors in connection with Project or Services. For any subcontractor proposed to be retained to perform work under this Agreement with the Board, Consultant, must provide notice to the Board 30 days in advance of retaining that subcontractor and shall obtain the Board's prior written consent before retaining that subcontractor.

D. Audit and Other Oversight. It is agreed that Consultant will abide by all provisions of City Code §2-1120, including but not limited to City Code §2-1120(12), which requires contractors to provide the Office of Inspector General with documents and information as requested. Failure to comply with such requests shall constitute a material breach of the contract. In signing this contract, Consultant each agree that it is subject to the jurisdiction of the Orleans Parish Civil District Court for purposes of challenging a subpoena.

E. Prohibition of Financial Interest in Agreement. No appointed or elected official or employee of the Board shall have a financial interest, direct or indirect, in this Agreement. For purposes

of this provision, a financial interest held by the spouse, child, or parent of any appointed or elected official or employee of the Board shall be deemed to be a financial interest of such appointed or elected official or employee of the Board.

F. **Prohibition on Political Activity.** None of the funds, materials, property, or services provided directly or indirectly under the terms of this Agreement shall be used in the performance of this Agreement for any partisan political activity, or to further the election or defeat of any candidate for public office.

G. **Convicted Felon Statement.** The Consultant complies with City Code §2-8(c) and no principal, member, or officer of the Consultant has, within the preceding five years, been convicted of, or pled guilty to, a felony under state or federal statutes for embezzlement, theft of public funds, bribery, or falsification or destruction of public records.

H. **Non-Solicitation Statement.** The Consultant has not employed or retained any company or person, other than a bona fide employee working solely for it, to solicit or secure this Agreement. The Consultant has not paid or agreed to pay any person, other than a bona fide employee working for it, any fee, commission, percentage, gift, or any other consideration contingent upon or resulting from this Agreement.

I. **Employee Verification.** The Consultant swears that (i) it is in compliance with La. R.S. 38:2212.10, and is registered and participates in a status verification system to verify that all employees in the State of Louisiana are legal citizens of the United States or are legal aliens; (ii) it shall continue, during the term of this Agreement, to utilize a status verification system to verify the legal status of all new employees in the State of Louisiana; and (iii) it shall require all subcontractors to submit to the Consultant a sworn affidavit verifying compliance with items (i) and (ii) above. Any violation of the provisions of this paragraph may subject this Agreement to termination, and may further result in the Consultant being ineligible for any public contract for a period of three years from the date the violation is discovered. The Consultant further acknowledges and agrees that it shall be liable for any additional costs incurred by the Board occasioned by the termination of this Agreement or the loss of any license or permit to do business in the State of Louisiana resulting from a violation of La. R.S. 38:2212.10. The Consultant will provide to the Board a sworn affidavit attesting to the above provisions if requested by the Board. The Board may terminate this Agreement for cause if the Consultant fails to provide such the requested affidavit or violates any provision of this paragraph.

J. **Conflicting Employment.** To ensure that the efforts of Consultant do not conflict with the Board's interests, and in recognition of its obligations to the Board, it will decline any offer of other employment if its performance of this Agreement is likely to be adversely affected by the acceptance of the other employment, and will promptly notify the Board in writing of its intention to accept the other employment and will disclose all possible effects of the other employment on performance under this Agreement. The Board will make the final determination whether the other employment may be accepted.

K. **Non-Exclusivity.** This Agreement is non-exclusive and Consultant may provide services to other clients, subject to the Board's approval of any potential conflicts with the performance of this Agreement and the Board may engage the services of others for the provision of some or all of the work to be performed under this Agreement.

L. **Assignment.** This Agreement and any part of any interest in it are not assignable or transferable by Consultant without the Board's prior written consent.

M. Terms Binding. The terms and conditions of this Agreement are binding on any heirs, successors, transferees, and assigns.

N. Jurisdiction. The Consultant consents and yields to the jurisdiction of the State Civil Courts of the Parish of Orleans and formally waives any pleas or exceptions of jurisdiction on account of the residence of the Consultant.

O. Choice of Law. This Agreement will be construed and enforced in accordance with the laws of the State of Louisiana without regard to its conflict of law provisions.

P. Construction of Agreement. Neither party will be deemed to have drafted this Agreement. This Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties. No term of this Agreement shall be construed or resolved in favor of or against any party on the basis of which party drafted the uncertain or ambiguous language. The headings and captions of this Agreement are provided for convenience only and are not intended to have effect in the construction or interpretation of this Agreement. Where appropriate, the singular includes the plural and neutral words and words of any gender shall include the neutral and other gender.

Q. Remedies Cumulative. No remedy set forth in this Agreement or otherwise conferred upon or reserved to any party shall be considered exclusive of any other remedy available to a party. Rather, each remedy shall be deemed distinct, separate and cumulative and each may be exercised from time to time as often as the occasion may arise or as may be deemed expedient.

R. Severability. Should a court of competent jurisdiction find any provision of this Agreement to be unenforceable as written, the unenforceable provision should be reformed, if possible, so that it is enforceable to the maximum extent permitted by law or, if reformation is not possible, the unenforceable provision shall be fully severable and the remaining provisions of the Agreement remain in full force and effect and shall be construed and enforced as if the unenforceable provision was never a part the Agreement.

S. Survival of Certain Provisions. All representations and warranties and all obligations concerning record retention, inspections, audits, ownership, indemnification, payment, remedies, jurisdiction, choice of law, shall survive the expiration, suspension, or termination of this Agreement and continue in full force and effect.

T. No Third Party Beneficiaries. This Agreement is entered into for the exclusive benefit of the parties and the parties expressly disclaim any intent to benefit anyone not a party to this Agreement.

U. Amendment. No amendment of or modification to this Agreement shall be valid unless and until executed in writing by the duly authorized representatives of both parties to this Agreement.

V. Non-Waiver. The failure of either party to insist upon strict compliance with any provision of this Agreement, to enforce any right or to seek any remedy upon discovery of any default or breach of the other party at such time as the initial discovery of the existence of such noncompliance, right, default or breach shall not affect or constitute a waiver of either party's right to insist upon such compliance, exercise such right or seek such remedy with respect to that default or breach or any prior contemporaneous or subsequent default or breach.

of the Force Majeure, the obligations of the party giving such notice, to the extent it is affected by Force Majeure and to the extent that due diligence is being used to cure the Force Majeure and resume performance at the earliest practicable time, shall be suspended during the continuance of the Force Majeure, but for no longer extended by the period of time during which either party was unable to perform its obligations hereunder as a result of the occurrence of a Force Majeure.

X. Entire Agreement. This Agreement, including all incorporated documents, constitutes the final and complete agreement and understanding between the parties. All prior and contemporaneous agreements and understandings, whether oral or written, are superseded by this Agreement and are without effect to vary or alter any terms or conditions of this Agreement.

Y. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy of this Agreement, but all of which, when taken together, shall constitute one and the same agreement.

Z. Electronic Signature and Delivery. The parties agree that a manually signed copy of this Agreement and any other document attached to this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement. No legally binding obligation shall be created with respect to a party until such party has delivered or caused to be delivered a manually signed copy of this Agreement.

THE PARTIES HERETO have signed this Agreement as to be effective on the date set forth above.

SEWERAGE AND WATER BOARD OF NEW ORLEANS

BY: 

JADE BROWN-RUSSELL, ACTING EXECUTIVE DIRECTOR

FORM AND LEGALITY APPROVED:

Legal Department

By: 

Printed Name: Patricia V. Green

RICHARD CPAS, LLC

BY: 

ALBERT J. RICHARD III, MANAGING MEMBER

82-2560138
CORPORATE TAX ID

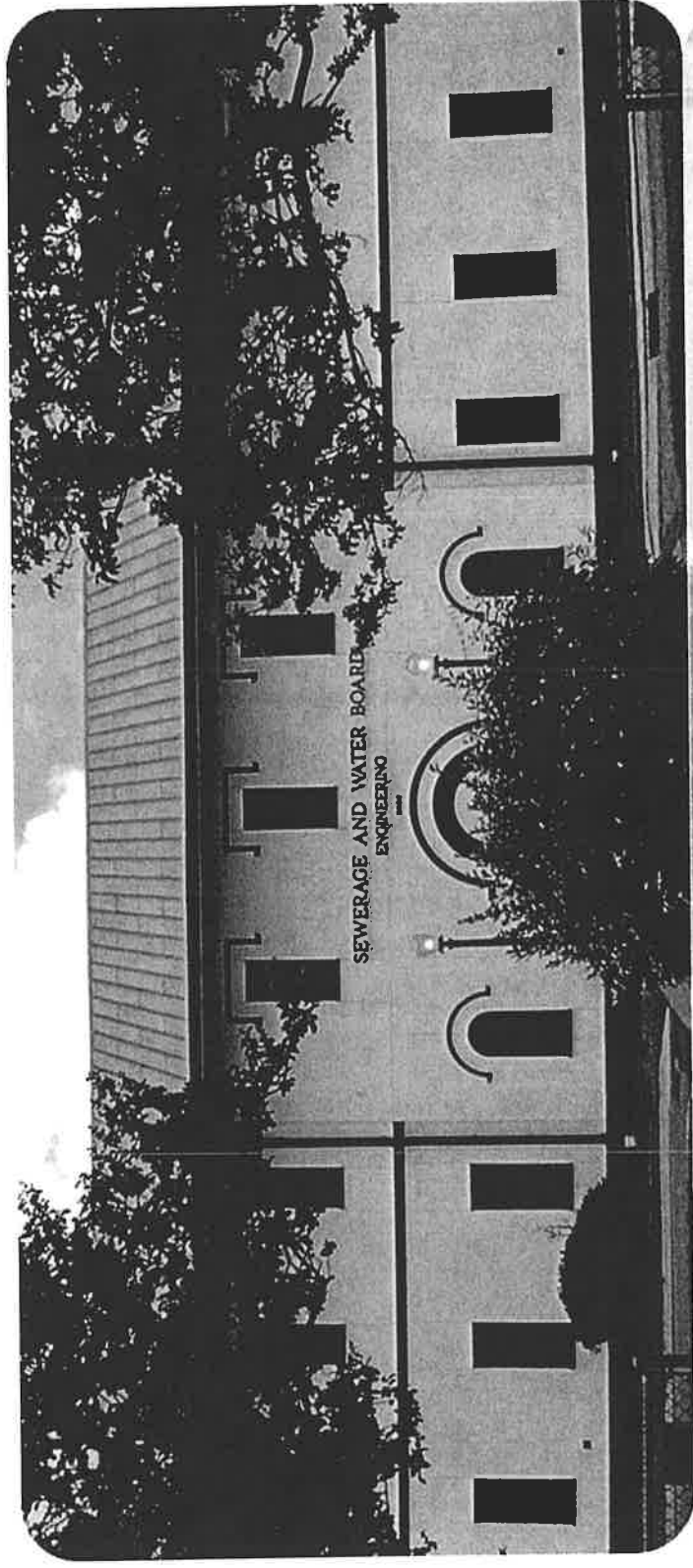
SWBNO Proposed Internal Audit Department 2018 Audit Plan as of August 8, 2018

*The following Internal Audit Plan is not Risk Based

Business area or activity	Audit Type	Audit Objectives	Deputy Director	Department Head	Auditor (s)	Date Started	Date Completed
Information Systems	IT	General EDP Controls	N/A	Melinda Nelson	Louis Marshall IV		
Information Systems	IT	Network and Data Security	N/A	Melinda Nelson	Louis Marshall IV		
Information Systems	IT	Penetration Testing and Instruction	N/A	Melinda Nelson	Louis Marshall IV		
Information Systems	IT	Application Status	N/A	Melinda Nelson	Louis Marshall IV		
Information Systems	IT	Computer Security, Backup, & Recovery	N/A	Melinda Nelson	Louis Marshall IV		
Purchasing	Operations/Logistics	Contract Administration - Bidding Process and Purchasing	Valerie Rivers	Wille Mingo	Chantle' Powell		
Purchasing	Operations/Logistics	Economically Disadvantage Business Program	Valerie Rivers	Irma Plummer	Chantle' Powell		
Risk Management/Safety	Compliance/Operational	Vehicle Safety Regulations	Ronald Doucette	Felicia Lovince	Javon Franklin/Monique Johnson	7/18/2018	
Risk Management	Operational	Claims Review Process	Ronald Doucette	Felicia Lovince	Chante' Powell/Louis Marshall IV	7/18/2018	
Support Services	Operations/Logistics	Building Maintenance	Valerie Rivers	John Wilson	TBA		
Support Services	Operations/Logistics	Canal Maintenance	Valerie Rivers	John Wilson	TBA		
Support Services	Operations/Logistics	Green Infrastructure Maintenance	Valerie Rivers	Ann Wilson	TBA		
Support Services	Operations/Logistics	Fleet Management	Valerie Rivers	John Wilson	TBA		
Administration	Compliance/Operational	Human Resources - Payroll System	Sharon Judkins	Sharon Judkins/Veronica Washington	TBA		
Special Counsel	Compliance/Operational	Outside Legal Services		Yolanda Grimstead	TBA		

*The following proposed audit plan may be adjusted pending the results of the Risk Assessment

Sewerage & Water Board of New Orleans



INTRODUCTION TO ERM

ENTERPRISE RISK MANAGEMENT

BY: PRIYA DEY-SARKAR, FUSE FELLOW & ENERGY RELIABILITY ENGINEER 2017-2018
AUGUST 8TH 2018 AUDIT COMMITTEE MEETING

ENTERPRISE RISK MANAGEMENT: A KEY TO FINANCIAL FUNCTION & OPERATIONAL RELIABILITY

A Broad Definition:

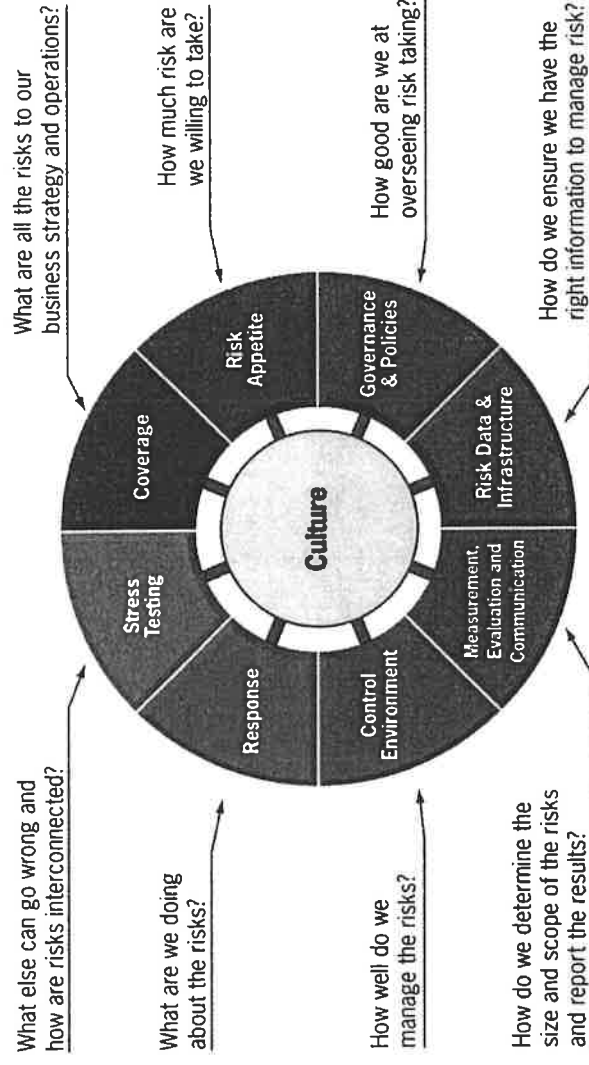
- ☐ ENTERPRISE RISK MANAGEMENT (ERM): “. . .the culture, capabilities, and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving, and realizing value.” – COSO
- ☐ Fundamental to:
 - ☐ Prioritizing the overall utility’s project priorities (capital)
 - ☐ Prioritizing Maintenance Priorities (expense)
 - ☐ Calibrating opinions and ideas of enterprise priorities
 - ☐ Set up to impact finance, safety, health, production/property, environmental, and reputation
 - ☐ Key for public agencies who provide critical services to cities
- ☐ Very commonly used as a day to day practice in private industry for complex and diverse power, energy, and utility companies.
- ☐ Public utilities are adopting these frameworks to break down internal silos where large and small risks are taken without proper vetting and calibration.



ERM Has Multiple Functions, Including Creating A Strong Management Culture

WHAT IS ERM?

It is the capability to effectively answer the following questions:



- Circular depiction is highly intentional
- Components are meant to be dynamic (reviewed back/forth in any sequence)
- Having the right culture is key

Photo Credit: <https://www.slideshare.net/AndrewMorgan6/ep-seminar-presentation-version-2-morgan-mar-2013>

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<http://swbno.org>



Enterprise Risk Management: Fundamentally Strategic for Short and Long Term Operations and Planning

Encompasses under one framework:

- Regulatory Risk Management
- Operational Risk Management
 - Including staff safety, public safety, environmental, and equipment
- Financial Risk Management
- Insurance Risk Management
- Reputational Risk Management

Ultimately, the implementation of ERM creates more reliable services at a more affordable cost

[It is often said that **operational efficiency** and **operational reliability** are two sides of the same coin]



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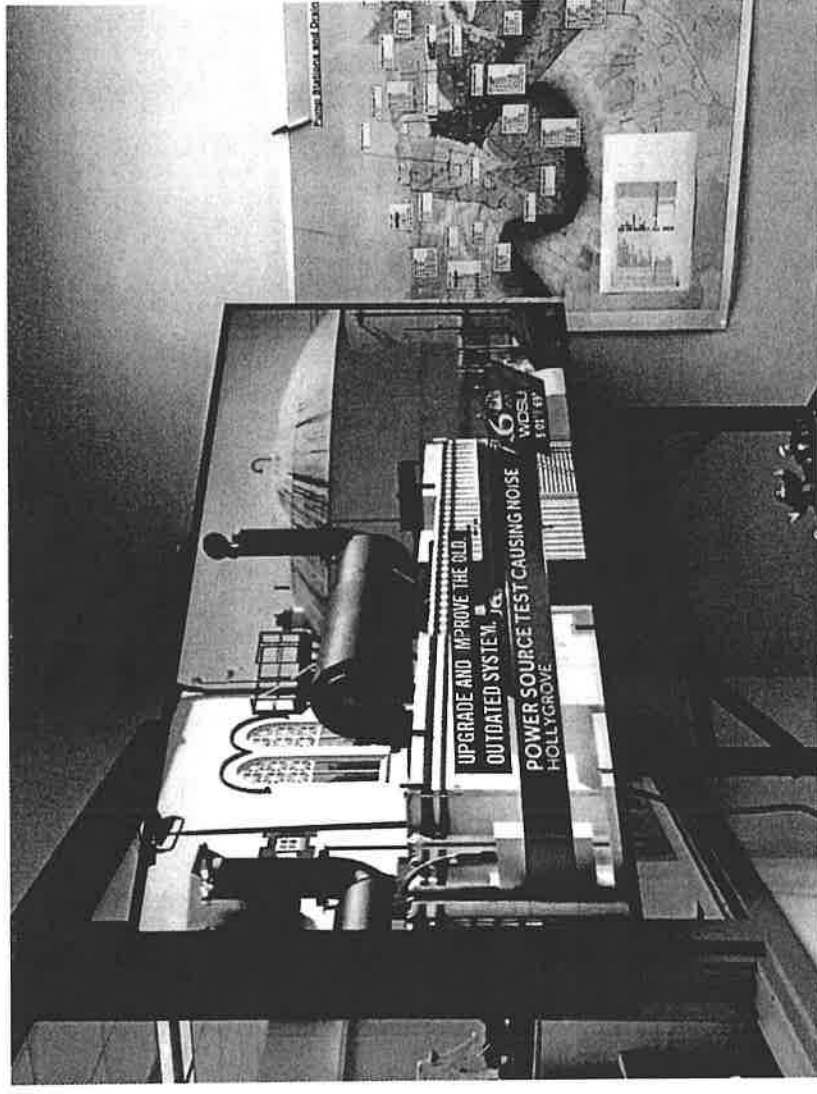
<http://swbno.org>

Moving to intentional risk management: Improving Ad Hoc “Risking” Assessments:

What can practically be done vs. what can just happen?

What are the benefits, costs, risks or each option vs. how likely is it to happen? What are our capabilities?

Did we improve, appropriately manage, get the expected results, and how to improve further and further?



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Risk=Probability X Consequence

A Fundamental Combination

Only Consequence Based Decisions

- Short Sighted Planning
- Perpetuates working in silos
- Difficult to prioritize and make visible critical projects
- May work lower risk projects first

Only Probability Based Decisions

- Difficult to manage funding
- Difficult to prioritize
- Difficult to gain holistic picture of enterprise risks



Dissecting Risk Enterprise Wide

Typical Consequence Categories	Typical Probability Categories
<ul style="list-style-type: none">– Equipment/Production– Reputation– Financial– Environmental– People (Public and Staff)– Quantified in Advance in Matrix for Utility	<ul style="list-style-type: none">– Rare– Unlikely– Credible– Likely– Frequent– Also pre-quantified definitions for these



2.5.3. Example Risk Matrix

Frequency of Occurrence									
					Rare (1)	Unlikely (2)	Credible (3)	Likely (4)	Frequent (5)
					Event occurrence is rare and/or never heard of in the EAP industry	Event occurrence is possible but rare in the EAP industry	Event has occurred in the Australian Industry (APEIA)	Event often occurs in the Australian Industry (APEIA)	Events are frequent in the Company

Example Risk Matrix

Photo Credit: <https://www.slideshare.net/AndrewMorgan6/ep-seminar-presentation-version-2-morgan-mar-2013>

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ERM Helps to Manage Large Risks to ALARP

ERM DOES NOT NEED TO BE OVERLY QUANTIFIED

HIGH RISK=PRIORITIZED AS ACTION ITEMS

- ☐ Can specify timing for utility and in framework

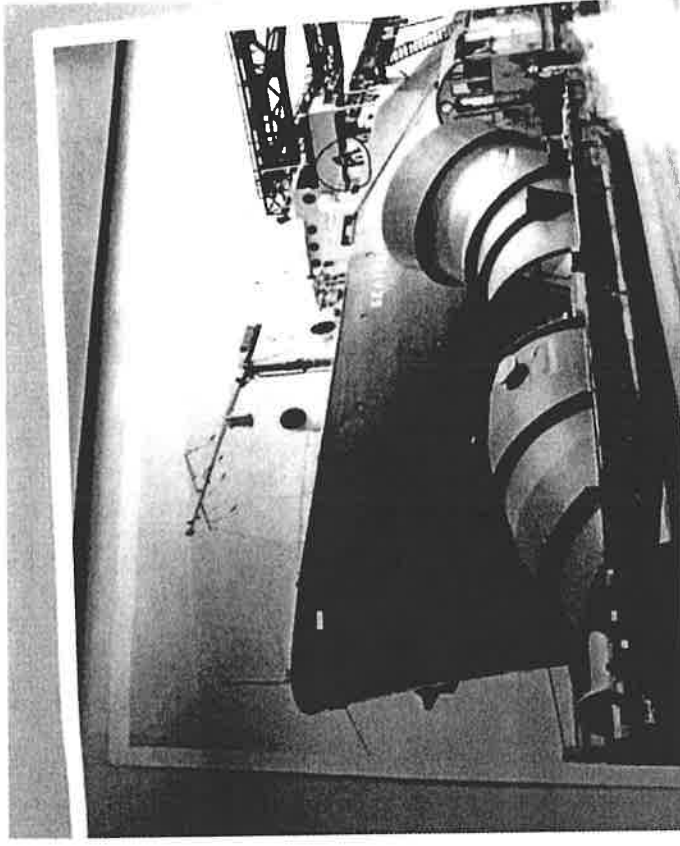
MEDIUM RISK. . **MANAGE TO ALARP**=AS LOW AS REASONABLY PRACTICABLE

LOW RISK=BROADLY ACCEPTABLE

KEY TO ENTERPRISE PRIORITIZATION WHERE RESOURCES (MONEY AND STAFF) ARE SCARCE



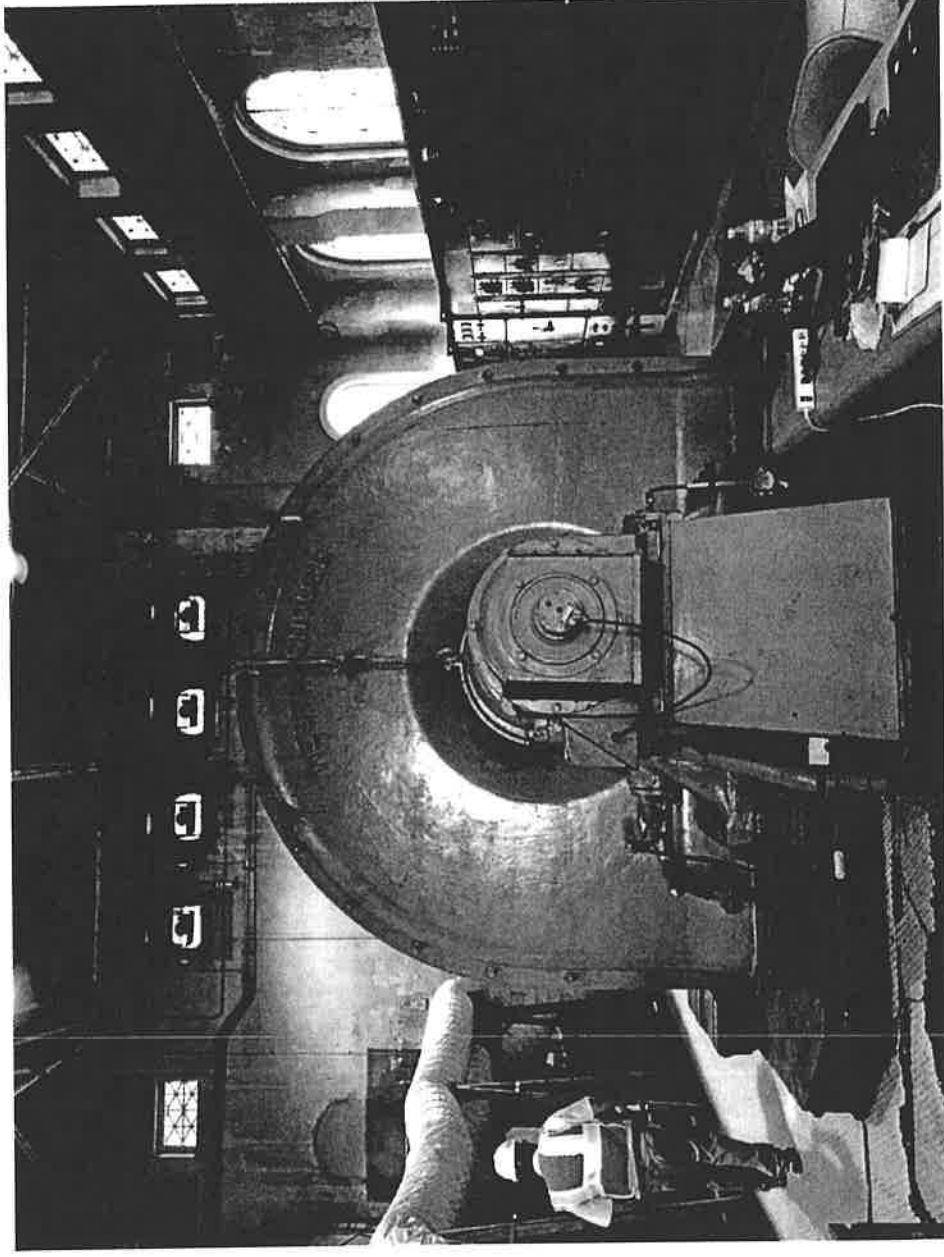
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Large Pump in Tow. What is the biggest risk in this photo?



Veolia + Jacobs + SWBNO CassWorks=Risk Confusion



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Example of ERM: SWBNO

Veolia uses their own risk matrix to prioritize work items found at pump stations, power house, etc.

Jacobs uses their own version (a different one, but similar style) to prioritize and risk their work items and condition assessment items

In Cass Works, an existing set of work orders exists

- Priorities are set, but not in conjunction with enterprise needs
- Given the hundreds of work orders a utility generates each month, a unified system of risk helps to prioritize precious resources

For the drainage and power house outstanding work items, three different systems of tracking and priority exist

- A more robust version of Cass Works is acknowledged as a need.



Current vs. Future State of ERM at SWBNO

Current

- Risk management only exists within an insurance or workers compensation function under security
- Scattered priorities based on individuals' ideas
- Difficult to manage silos with individual or minimal ideas of risk

Future

- Would apply to all areas of the utility
- Possibly housed in Legal, Operations, or Finance
- Consolidated priorities based on calibrated framework
- Improved finances, safety, health and reputation in standardized way



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<http://swbno.org>

Key Points Going Forward

One matrix or framework can serve all the diverse needs of an enterprise (water utility)

Private companies typically keep these frameworks highly confidential, however, the use of the frameworks is widely accepted globally

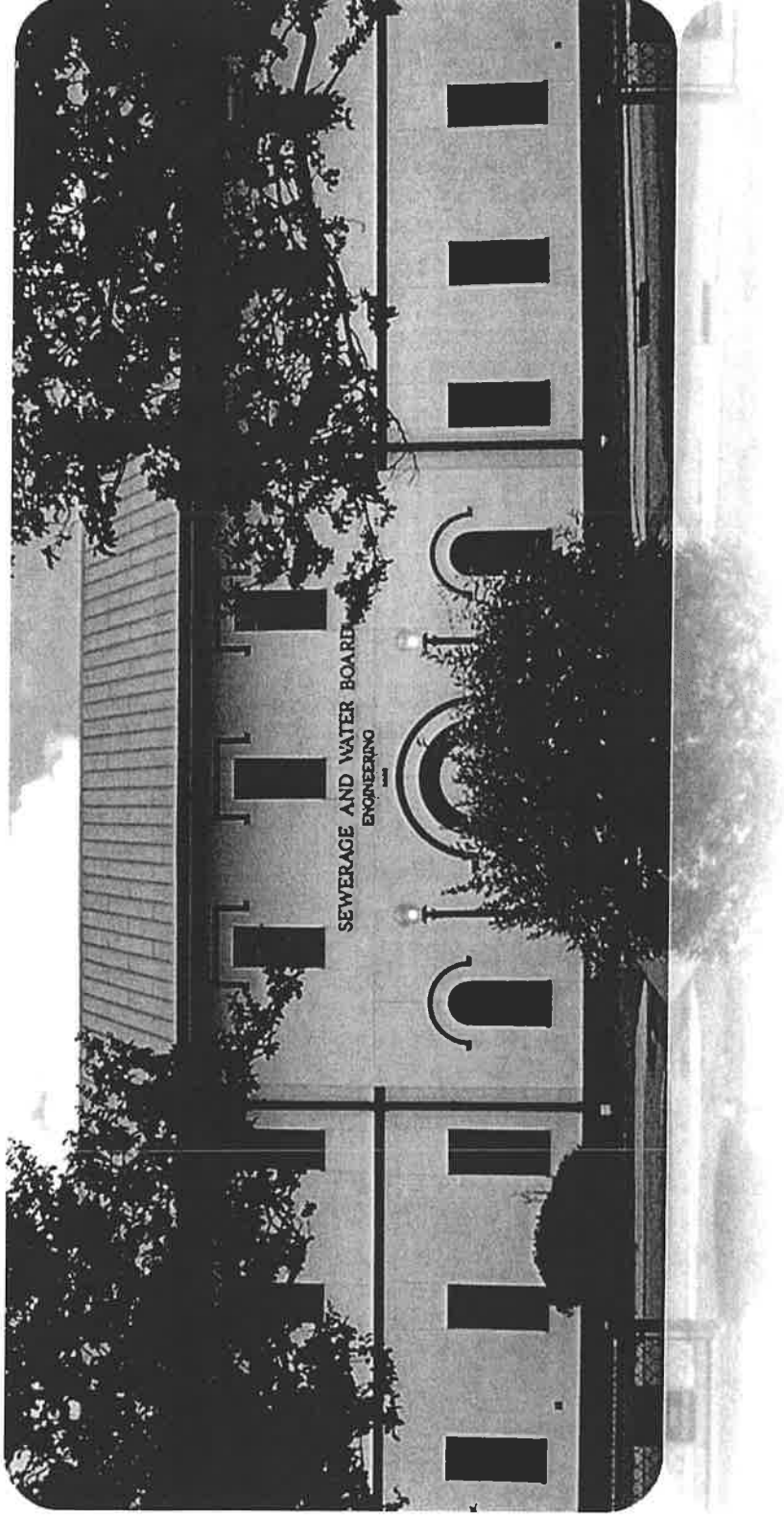
Safety Committee has preliminarily vetted the matrix and agreed upon categories and mostly quantifications, with the exception of financial parameters.

- Preliminary discussion is to use Katrina Damage Costs as catastrophic category

Board of Directors should approve any ERM framework and matrix specifically created for SWBNO



Sewerage & Water Board of New Orleans



Re-Building the City's Water Systems for the 21st Century