



# INTERNAL CONTROL PROGRAM UPDATE

Chief Internal Auditor Shaun Farmer  
June 16, 2022

# AGENDA

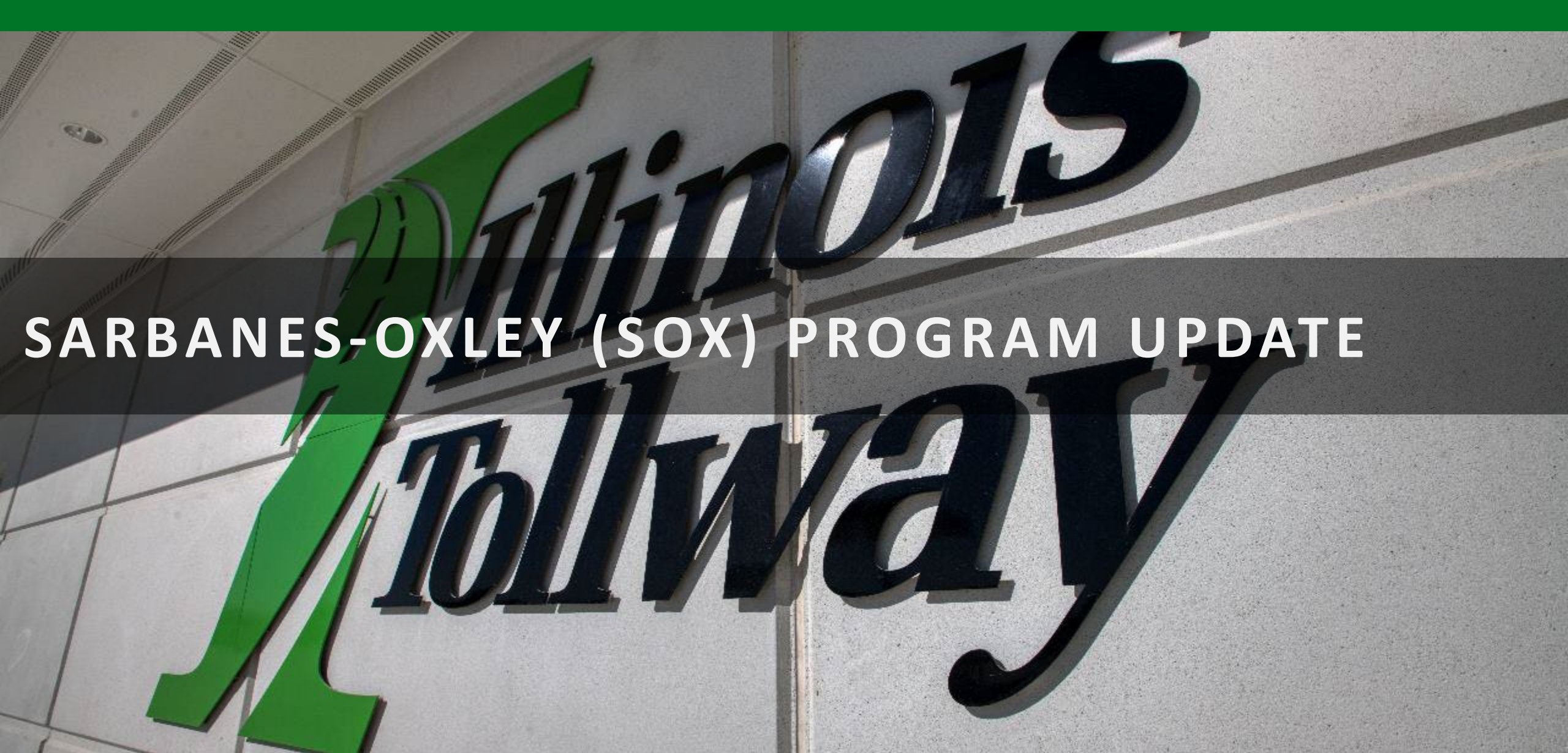
*Internal Control Updates*

**Sarbanes-Oxley (SOX) Program**

**Internal Audit Activities**

**ERM Program**





**SARBANES-OXLEY (SOX) PROGRAM UPDATE**



# SOX PROGRAM UPDATE

## *Compliance and Internal Control Program*

### Purpose

- ✓ Compliance and internal control assessments designed to evaluate existing practices and controls in specific key functions
- ✓ Goals include improving practices and mitigating relevant compliance risk

### Approach



**Process  
documentation**



**Evaluation**



**Risk control matrix**



**Recommendations**

# SOX PROGRAM UPDATE

## *Compliance and Internal Control Program*

### Outcomes

- Identification and documentation of key processes, sub-processes and process owners
- Product, including process flow diagrams and internal control matrices, belong to the department
- Program and testing:
  - Intended to evaluate adequacy and identify gaps
  - Strengthen the Tollway's overall control environment
- Defined structure establishing communication and partnership amongst key stakeholders



# SOX PROGRAM UPDATE

## *Pre-Assessment Phase*

### Current activities completed

- Conducted SOX pre-kickoff meetings with:
  - ✓ Toll Revenue
  - ✓ Goods and Services Procurement
  - ✓ Procurement Financial Statement Close and Reporting
  - ✓ Human Resources
- Confirmed scope, processes, sub-processes, and identified process owners for Toll Revenue, Goods and Services Procurement
- Initiated SOX activities for Toll Revenue, Goods and Services Procurement in May 2022

### Next Steps

- 1 Conduct meetings for additional SOX functional areas to be reviewed during remainder of FY22 and beyond, including:
  - ✓ Financial Statement Close
  - ✓ Payroll
  - ✓ Human Resources
- 2 Confirm scope, processes, sub-processes and process owners for remaining functional areas
- 3 Complete functional area reviews



# SOX PROGRAM UPDATE

## *Status of Current Workstreams*

### **Toll Revenue**

*Kick-off meeting conducted May 2*

- ✓ Scheduled the first half of the process walkthroughs
- ✓ Currently documenting process maps for the walkthroughs that have already occurred
- ✓ Identifying key compliance regulations and activities

### **Goods and Services Procurement**

*Kick-off meeting conducted May 10*

# SOX PROGRAM UPDATE

## *Key Functional Areas and Tentative Timelines*

<b>Key Functional Areas</b>	<b>Kick-off Estimate</b>
Toll Revenue	May 2022
Goods and Services Procurement	May 2022
Financial Statement Close and Reporting	July 2022
Payroll	Nov 2022
Human Resources	FY 2023
Fixed Assets	FY 2023
Investment Management	FY 2023
Information Technology General Controls	FY 2023
Accounts Payable	FY 2024
Inventory Management	FY 2024



# INTERNAL AUDIT ACTIVITIES UPDATE





# INTERNAL AUDIT CURRENT ACTIVITIES

## Field work phase of:

- Statutorily required cycle audits
- Two additional risk-based audits identified on audit plan

Timely completion of Annual Certification Letter to Auditor General

Coordinating external audit activities for Tollway audit by Auditor General

Performed required peer review for another state agency

Assist other state agencies on state requirements, form peer group for greater collaboration

Internal and external audit finding remediation support to departments

Continuing training and professional education to develop and enhance skillsets





# CURRENT ACTIVITIES

- ✓ SOX Internal Controls Program
- ✓ Enterprise Risk Management (ERM) Program
- ✓ Agile Audit Implementation
- ✓ Construction vendor review
- ✓ Technology implementation

*\* Internal Audit does not own all projects listed, as certain projects are operational in nature and therefore owned by the business. Rather, Internal Audit helps establish the internal control environment where appropriate.*





# ERM PROGRAM UPDATE



# ENTERPRISE RISK MANAGEMENT PROGRAM

## *Overview*

ERM is a structured framework for managing risks which involves:

### **Enterprise Risk Management**

Identifying events or circumstances relevant to the achievement of an organization's strategic objectives (risks and opportunities)

Assessing the upside and downside of risks in terms of likelihood and magnitude of impact

Determining a risk response strategy

Monitoring and reporting on status of action plans, changes to risks and new/emerging risks





# ERM PROGRAM GOVERNANCE

- ✓ **ERM Steering Committee comprised of executive leaders from various functional areas**
- ✓ **The ERM Steering Committee’s mission is to create a practical and sustainable process to assist with identifying, assessing, and managing risks and opportunities across the agency**
- ✓ **In this capacity, the ERM Steering Committee facilitates leadership discussion of strategic risk and develops a balanced and practical approach to address and mitigate risk**
- ✓ **The ERM Steering Committee meets quarterly to review the top risks and related risk mitigation strategies**
- ✓ **At least semi-annually, program updates will be communicated to the Audit Committee and Chairman of the Board**



# CURRENT ERM STEERING COMMITTEE MEMBERS

Lanyea Griffin, Interim Executive Director

Cassandra Rouse, Chief Operating Officer

Cathy Williams, Chief Financial Officer

Arthur Grist, Chief Security Officer

Joe Kambich, Chief of Information Technology

Kathleen Pasulka Brown, General Counsel

Angela Jenkins, Acting Chief of Administration

Eric Ocomy, Chief of Contract Services

Terry Miller, Chief of Diversity and Strategic Development

Shaun Farmer, Chief of Internal Audit



# 2022 ERM PROGRAM ACTIVITY SUMMARY

1

Steering Committee reconvened to discuss 2021 accomplishments program objectives and next steps

2

Internal Audit facilitated one-on-one interviews with Steering Committee to discuss and understand changes in risk landscape for inherent risks

3

Steering Committee provided updated mitigation statuses for enterprise risks through Q2 2022

4

Internal Audit analyzed input from Steering Committee to refresh risk ratings and create a prioritized ranking of top residual enterprise risks

5

Present 2022 ERM risk assessment results to Board/Audit Committee and share recommended next steps related to program maturation



# ERM: NEXT STEPS

- ✓ Evaluate existing risk response, mitigation strategies for top risks
- ✓ Develop new and/or revised mitigation strategies
- ✓ Re-establish ERM Steering Committee communication protocols and meeting cadence
- ✓ Continue to monitor status of risk response strategies and mitigation efforts for top risks
- ✓ Risk owners to present/discuss updates as part of ERM Steering Committee meetings
- ✓ Implement the use of key risk indicators and other metrics to enhance risk monitoring effectiveness
- ✓ Assess and address changes in risk landscape and emerging risks

THANK YOU

WORK  
ZONE

SPEED  
LIMIT  
45

\$ 250 FINE  
MINIMUM

