



Record of Meeting | April 30, 2020

The Illinois State Toll Highway Authority (“Tollway”) held the regularly scheduled Audit Committee Meeting on Thursday, April 30, 2020. The meeting was held pursuant to the By-Laws of the Tollway upon call and notice of the meeting executed by Chairman Willard S. Evans, Jr. and posted in accordance with the requirements of the Open Meetings Act, 5 ILCS 120/1, *et seq.*

In response to COVID-19, Governor Pritzker issued Executive Order 2020-07, which suspends provisions requiring in-person attendance of the public body and amends conditions when remote participation is permitted. In accordance with the Executive Order, the meeting was conducted telephonically. A telephone access number was provided for members of the public to monitor and/or participate in the meeting.

Call to Order / Roll Call

Committee Chair Alice Gallagher called the Meeting to order at approximately 10:00 a.m., stating that this is the regularly scheduled meeting of the Audit Committee of the Tollway Board of Directors. She then asked the Board Secretary to call the roll, those Directors present and absent being as follows:

Committee Members Present:
Committee Chair Alice Gallagher
Director Scott Paddock

Committee Members Not Present:
None

Other Directors in Attendance:
Director James Connolly
Director Stephen Davis
Director James Sweeney
Chairman Willard S. Evans, Jr.
Director Karen McConnaughay
Director Gary Perinar

The Board Secretary declared a quorum present.

Public Comment

Committee Chair Gallagher opened the floor for public comment. No public comment was offered.

Committee Chair’s Items



Committee Chair Gallagher entertained a motion to approve the Minutes of the regular Audit Committee meeting held on August 15, 2019, as presented. Director Paddock made a motion to approve the minutes, seconded by Committee Chair Gallagher. The motion was PASSED unanimously.

Committee Chair Gallagher noted that Directors will be provided an opportunity for the discussion of internal audit controls and/or identification of potential risk areas during the Executive Session of the full Board meeting

Having no further items, Committee Chair Gallagher called on Executive Director José Alvarez.

Committee Business

Internal Audit Department Update: Executive Director Alvarez introduced Shaun Farmer, Chief Internal Auditor, to present to the Committee an update on Internal Audit Department activity. [See attached presentation.](#)

Mr. Farmer's presentation included an overview of the Internal Audit department's structure, purpose, scope, authority and responsibility, revisions to the department's charter, key Internal Audit activities, cycle audits, 2019 audit results, and Internal Audit resources and staff allocations for 2020.

Enterprise Resource Management: Executive Director Alvarez introduced Cassandra Rouse, Chief Strategy & Implementation Officer, to present to the Committee an overview of the ERM project being implemented to provide a coordinated approach to risks and opportunities that affect the achievement of the Tollway's strategic objectives. [See attached presentation.](#)

Items for Consideration

Internal Audit

Committee Chair Gallagher called on Shaun Farmer, Chief Internal Auditor, to present to the Committee the following Audit item:

Item 1: Award of Contract 20-0048 to Baker Tilly Virchow Krause, LLP for the purchase of Internal Auditing Services in an amount not to exceed \$393,780.00 (Order Against CMS Master Contract).

Upon conclusion of the presentation of the item, Committee Chair Gallagher called for a motion to approve placement of **Internal Audit Item 1** on the April Board of Directors meeting agenda



with the Committee's recommendation for approval by the Board. Director Paddock made a motion to approve this item, seconded by Director Gallagher. The motion PASSED unanimously.

Adjournment

There being no further Committee business, Committee Chair Gallagher entertained a motion to adjourn. Director Paddock made a motion to adjourn, seconded by Director Gallagher. The motion was PASSED unanimously.

The meeting was adjourned at approximately 10:24 a.m.

Minutes taken by: _____

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

INTERNAL AUDIT UPDATE

Shaun Farmer, *Chief Internal Auditor*
April 30, 2020

AGENDA

Internal Audit Purpose, Authority and Responsibility

Internal Audit Charter (copy provided)

Internal Audit Activity and Results

Cycle Audits

Department Resources



PURPOSE, AUTHORITY AND RESPONSIBILITY

Purpose of Internal Audit

Provide ongoing, objective and independent review of internal controls and independent appraisals, audits, analysis and counsel related to the assessment of business risk.



PURPOSE, AUTHORITY AND RESPONSIBILITY

Authority of Internal Audit

Internal Audit performs audit activities in conformance with:

- The Fiscal Control and Internal Auditing Act (FCIAA)
- International Standards for the Professional Practice of Internal Auditing Standards (IIA Standards)
- Code of Ethics of the Institute of Internal Auditors
- State of Illinois Internal Audit Advisory Board (SIAAB)
- Generally Accepted Government Auditing Standards (GAGAS)
- Internal Audit Charter (copy provided)

PURPOSE, AUTHORITY AND RESPONSIBILITY

Responsibility of Internal Audit

- Review the reliability and integrity of financial and operating information
- Review fiscal, operational, and administrative operations
- Review systems established to ensure compliance with policies, plans, procedures, laws and regulations that could significantly impact operations
- Evaluate the effectiveness and efficiency with which resources are employed

INTERNAL AUDIT CHARTER

Purpose

Accountability, Authority and Access

Responsibilities

Scope of Work

Independence

Reporting Process

Periodic Assessments



INTERNAL AUDIT ACTIVITY

2019

- Two-year Audit Plan
- Annual Certification Letter
- External Audit Coordination
- Cycle Audits
- Payment Card Industry (PCI) Audit Coordination
- Construction Auditing
- Peer Review
- September 30th Report to the Executive Director



2019 AUDIT RESULTS

TITLE OF AUDIT	NUMBER OF FINDINGS
SAP Post-Implementation Review	6
Construction Auditing Assistance	6
Agency Organization and Management Cycle	5
Expenditures Cycle	4
Purchasing Cycle	4
Personnel & Payroll Cycle	2
Petty Cash (if disbursements >\$5,000)	N/A
Grants (if the Tollway receives Federal grants)	N/A

2020 CYCLE AUDITS AND OTHER ACTIVITIES

2020 Cycle Audits

- Administrative Support Services Cycle
- Budget, Accounting and Reporting Cycle
- Revenues and Receivables Cycle
- Electronic Data Processing Cycle
- Grant Administration (if Tollway receives any grants)
- Petty Cash (if disbursements exceed \$5,000)

Other Audit Activities

- Risked based reviews
- Reviews of external parties
- Special projects, management request and consulting engagements
- Systems reviews
- Inspector General assistance and investigations

GOVERNANCE AND MANAGEMENT OF FINDINGS

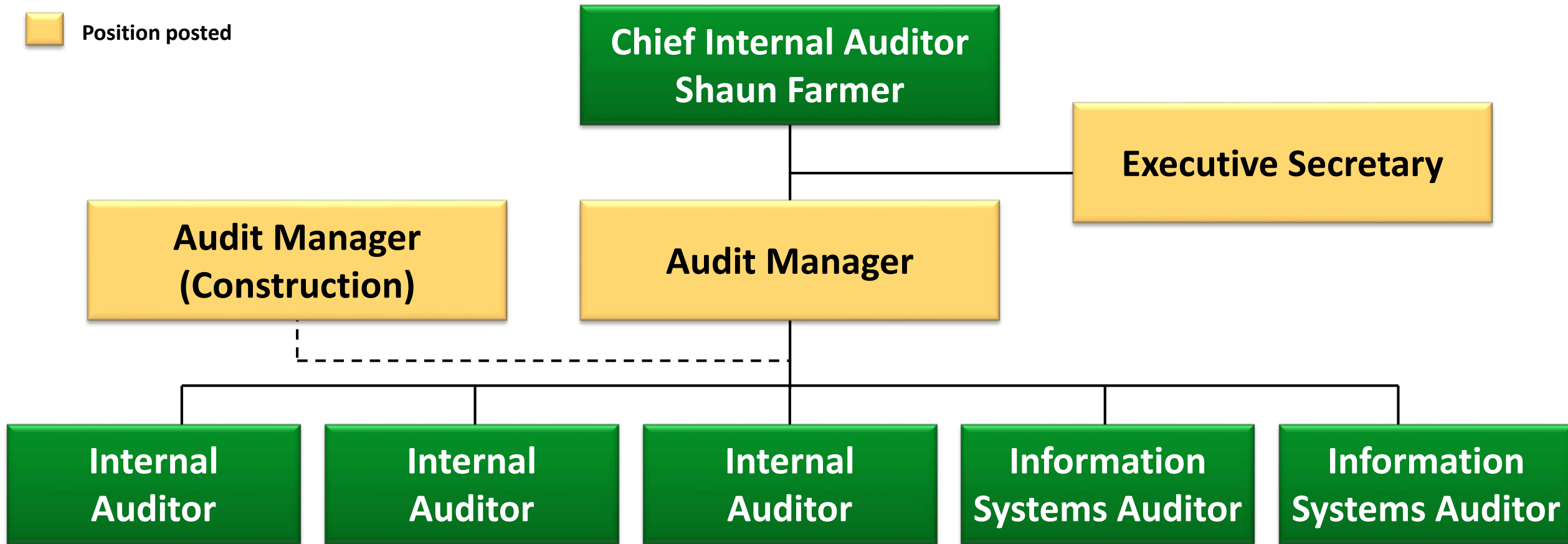
- Audit observations and recommendations are addressed by management
- Responses and estimated implementation dates provided
- Internal Audit follows up on audit status (Certification Letter)
- More frequent interaction to be driven by implementation of automated audit software
- Monthly touch base meetings set up by department
- Monthly reports and meetings with Executive Director
- Coordinated efforts with Chief Strategy and Implementation Officer
- Monthly meetings and additional communications with the Chairman and the Audit Chair
- Support from the Board of Directors, Audit Chair, and Executive Office driving results

INTERNAL AUDIT IS INDEPENDENT, FREE OF OPERATIONAL DUTIES, AND NO RESTRICTIONS ARE PLACED UPON WORK OR ACCESS

DEPARTMENT ORGANIZATION



Position posted



Organization chart is included annually with Internal Audit's Annual September 30th Report to the Executive Director



THANK YOU



ENTERPRISE RISK MANAGEMENT

Cassandra Rouse
Chief Strategy Implementation Officer
April 30, 2020



Enterprise Risk Management (ERM)

Enterprise Risk Management provides an organization-wide approach to the identification, assessment, communication and management of risk.

Risk can be defined as any issue that impacts the ability to meet objectives.

ERM framework addresses five risk elements:

- Risk governance
- Risk assessment
- Risk quantification
- Risk monitoring and reporting



Enterprise Risk Management (ERM)

Provides a coordinated approach to assess, analyze, mitigate and monitor risks and opportunities that affect the achievement of the Tollway's strategic objectives.

Focuses on strategy and expands the traditional risk management process to include all risks not just those associated with accidental losses

Moves organizations away from a fragmented, ad-hoc and reactive process to one that actively communicates risks across departments and identifies enterprise-wide solutions.



Enterprise Risk Management Benefits

- Focuses on mission and objectives**
- Preserves and creates value**
- Emboldens innovation**
- Enhances agility and resilience**
- Formalizes process and governance**
- Improves quality of decisions**
- Helps in allocation of resources**
- Empowers subject matter experts**
- Improves stakeholder confidence and trust**



ERM Project

Phase I

Planning (May 18-
June 1)

Phase II

Risk assessment
surveys and
interviews (June 2-
June 30)

Phase III

Identify key
risks and risk
rankings (June 20-
July 20)

Phase IV

Risk assessment
report (August)

Ongoing project management and quality assurance

Key Activities

- Establishment of ERM Steering Committee
- Complete facilitated risk assessment interviews with management
- Identify key risks and complete risk rankings
- Identify risk response strategies and develop plans for ongoing ERM maintenance



Sarbanes-Oxley Act

The Sarbanes-Oxley Act of 2002 (“SOX”) is a federal law enacted to enhance governance and accountability

Requires documentation and reporting of internal control systems.

Increases accountability and transparency



SOX Project



Ongoing project management and quality assurance

Key activities and outcomes

- Identify key business processes and financial accounts
- Develop process documentation (process flows, narratives and risk matrices)
- Assess control design and make recommendations for improvement
- Develop and execute internal control operating effectiveness testing plan
- Work with management to formulate plan to address control design and operating deficiencies





THANK YOU