Internal Audit Activity
Update

April 27, 2015

Agenda

- Internal Audit (IA) purpose, authority and responsibility
- Fiscal Control and Internal Auditing Act (FCIAA)
- Cycle audits
- Internal Audit activity
- Construction audit program
- External audit
- Internal Audit tools
- Internal Audit software RFP
- Department resources

Presented by Cassaundra Rouse on April 27, 2015

Fiscal Control and Internal Auditing Act

INTERNAL AUDIT

Work during 2014 continued to focus on the integrity of the Tollway's financial reporting, the independence and effectiveness of the external and internal audit activities, the Tollway's risk management processes and assessing the Tollway's system of internal controls

IA Purpose, Authority and Responsibility

- Perform engagements proficiently and with due professional care pursuant to applicable standards

- Examine and evaluate the Tollway's policies, procedures and systems of internal control

- Ensure the reliability and integrity of information, compliance with policies, plans, laws and regulations

- Safeguarding of Tollway assets

- Ensure the economical and efficient use of resources

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IA Purpose, Authority and Responsibility

- The Chief Internal Auditor and internal audit staff shall be free of all operational duties

- Full and free access to the Audit Committee

- Unrestricted access to the Tollway's records, documents, property and personnel

- Authority to discuss initiatives, policies and procedures regarding risk assessment, internal controls, compliance, financial reporting and governance processes with management and other corporate governance participants

Fiscal Control and Internal Auditing Act

FCIAA Requirements

- A two-year plan, identifying audits scheduled for the pending fiscal year, approved by the Executive Director before the beginning of the fiscal year

- Every five years - complete a quality assurance review accepted by SIAAB

- Frequently complete an internal quality assurance review

- Continuing professional education

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Fiscal Control and Internal Auditing Act

FCIAA Requirements

- **System Pre-Implementation** - Reviews of the design of major new electronic data processing systems and major modifications of those systems before their installation to ensure the systems provide for adequate audit trails and accountability

- **Special audits** of operations, procedures, programs, electronic data processing systems and activities as directed by the chief executive officer or by the governing board

- **Certification letter -** By May 1 of each year, the Executive Director shall prepare and transmit to the Auditor General a certification that the systems of internal fiscal and administrative controls of the state agency fully comply (or not comply) with the requirements of this Act

Fiscal Control and Internal Auditing Act

FCIAA Requirements

◾ **Cycle Audits** - Audits of major systems of internal accounting and administrative control conducted on a periodic basis so that all major systems are reviewed at least once every two years

◾ **Key internal control activities** reviewed during cycle audits
- Separation of duties
- Documentation
- Authorization and approvals
- Security of assets
- Reconciliation and review

Cycle Audits Schedule

Title	Completed	Current
Administrative Support Services	2014	-
Budgeting, Accounting and Reporting	2014	-
Property, Equipment, and Inventories	2014	-
Revenues and Receivables	2014	-
Electronic Data Processing	2014	-
Agency Organization and Management	-	2015
Purchasing, Contracting and Leasing	-	2015
Expenditure Control	-	2015
Personnel and Payroll	-	2015
Petty Cash (If 2009 disbursements exceed $5,000) 2007, 2008 and 2009 did not exceed $5,000	2014	2015

Internal Audit Activity

Cycle Audits / Other Audits	2014 Audit Findings	2012 Audit Findings
Revenues and Receivables	-	-
Grant Administration	-	-
Property, Equipment and Inventory	1	-
Electronic Data Processing	-	-
Administrative Supportive Services	-	-
Budgeting, Accounting and Reporting	-	-
GAAP Process Audit	1	-

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Internal Audit Activity

2014

- Annual certification letter

- Risk-based reviews

- External audit coordination

- Cycle audits

- Oases fuel audit

- Construction practices review and audit services

- Contract and vendor audits

- PCI audit coordination

Internal Audit Activity – Construction

2015 Construction Audit Program

Vendor Audits

- Compliance with contract terms
  - DBE program requirements

- Cost recovery opportunities identified in the audit are pursued with the contractor

Process Audits

- Designed to evaluate the efficiency and effectiveness of the bid and evaluation process with established policy and procedures

Construction Site Observations

- Ongoing site visits throughout construction season

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Internal Audit Tools

Data Analytical Software – *New*

- Allows auditors to extract and analyze data independent of auditees

- Summarizes large amounts of data

- 100 percent testing of large populations
    - Increases probability of detecting errors and omissions
    - Increases probability of detecting fraud
    - Looks for anomalies, policy violations and other unusual transactions

Internal Audit Tools

Data Analytical Software
- Allows auditors to extract and analyze data independent of auditees

Summarizes large amounts of data
- 100 percent testing of large populations
  - Increases probability of detecting errors and omissions
  - Increases probability of detecting fraud

- Identification of separation of duties

- Sharing of passwords

- Account reconciliations

- Minimal account reviews

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Internal Audit Software RFP

Internal Audit management software is a tool that automates the entire Internal Audit process

Planning

■ Risk assessment, annual planning and budgeting

- Saves time on administrative tasks

- Improves overall department efficiency

Project management

■ Timekeeping, staffing and scheduling, audit histories

- Increases audit quality

- Standardizes the audit approach among all auditors

- Prevents inconsistencies in audit reports over time and across auditors

- Simplifies follow-up tracking and other Audit Committee reporting needs

- Tracks departmental controls in one place

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Internal Audit Software RFP

Fieldwork

- Work papers (integration with Word, Excel and other tools), audit program templates
  - Reduces time spent on workpaper documentation

Reporting

- Audit report generation, tracking of findings, recommendations, due dates, management responses and action plans

The audit software will maintain all of the internal audit departments data into one integrated database solution

RFP Status

- Addendum published
- Bids due April 24, 2015

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2015 External Audit

- External auditors are on site performing fieldwork

- The review includes the financial statement, compliance and Information Systems audit

- Internal Audit is the lead department coordinating the External Audit with Finance and Information Systems

- External Audit report is tentatively scheduled for release by July 31, 2015

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Internal Audit Department - Resources

Cassaundra Rouse   Chief Internal Auditor

Vacant   Construction Audit Manager

Shaun Farmer   Audit Manager

Chad Hayden   Internal Auditor

Michael Pustelnik   Internal Auditor

Aldrenza Wright   Internal Auditor

Art Lemke   Information Systems Auditor

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