



Record of Meeting | April 20, 2016

The Illinois State Toll Highway Authority (the “Tollway”) held the regularly scheduled Audit Committee Meeting on Wednesday, April 20, 2016 in the Boardroom of the Tollway’s Central Administration Building in Downers Grove, Illinois. The Meeting was held pursuant to By-Laws of the Tollway upon call and notice of the Meeting executed by Chairman Robert J. Schillerstrom and posted in accordance with the requirements of the *Illinois Open Meetings Act*. The Meeting was open to the public.

[Bolded entries indicate issues which may require follow-up to present or report to Directors.]

Call to Order / Roll Call

Committee Chair David Gonzalez called the Meeting to order at approximately 11:37 a.m., stating that this is the regularly scheduled meeting of the Audit Committee of the Tollway Board of Directors. He then asked the Board Secretary to call the roll, those Directors present and absent being as follows:

Committee Members Present:
Committee Chair David Gonzalez
Director Nick Sauer
Director James Sweeney

Committee Members Not Present:
Director Earl Dotson, Jr.

The Board Secretary declared a quorum present.

Public Comment

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

Committee Chair’s Items

Committee Chair Gonzalez called for a motion to approve the Minutes of the regular Audit Committee meeting held on December 4, 2015, as presented. Director Sauer made a motion for approval; seconded by Director Sweeney. Committee Chair Gonzalez then called for a vote. The motion was PASSED unanimously.



Committee Business

Mike Stone, Chief of Staff, then introduced Cassaundra Rouse, Chief Internal Auditor, to present to the Committee an update on Internal Audit Activity. [See attached presentation.](#)

Ms. Rouse's presentation included an overview of Internal Audit's purpose, authority and responsibility; Tollway requirements pursuant to the *Fiscal Control and Internal Auditing Act* ("FCIAA"), including cycle audits performed and findings; Internal Audit activity; current external audit activity; and Internal Audit Department resources.

Committee Chair Gonzalez asked when follow up is performed to determine whether audit findings have been appropriately addressed by management. Ms. Rouse responded that follow up on the prior year's internal and external audit findings is performed by Internal Audit in the first quarter of the year.

Committee Chair Gonzalez asked whether Internal Audit reports are reviewed by the agency's external auditors. Mr. Rouse responded that all Internal Audit reports issued for the fiscal year being examined are reviewed by the external auditors, from which they select a sample population of Internal Audit files for in-depth review.

Director Sweeney inquired whether specific tollway operational aspects, such as those that involve credit cards, are identified for spot review by Internal Audit for occurrences of fraud. Mr. Stone responded that another agency unit (distinct from Internal Audit) is dedicated to performing ongoing toll collections audits to identify irregularities. Committee Chair Gonzales commented that it is typically a primary objective of Internal Audit to perform risk assessments which identify opportunities to strengthen internal controls and thereby minimize the occurrence of errors or fraud, rather than to focus on identification of each potential occurrence. He further commented it is then usually management's function to address identified deficiencies in internal controls and any resultant issues.

Committee Chair Gonzalez asked when the currently vacant position of Senior Construction Audit Manager is expected to be filled. Ms. Rouse, noting that the position function was previously outsourced to a third-party, responded that a job posting for an in-house resource has been presented to the Department of Administration for review and the position is anticipated to be filled within the next several months.

Adjournment



ILLINOIS STATE TOLL HIGHWAY AUTHORITY

Minutes of the
Audit Committee Meeting

Meeting Date
April 20
2016



There being no further business, Committee Chair Gonzalez requested a motion to adjourn. Motion to adjourn was made by Director Sweeney; seconded by Director Sauer. The motion was PASSED unanimously.

The meeting was adjourned at approximately 11:51 a.m.

Christi Regnery

Minutes taken by: _____

Christi Regnery
Board Secretary
Illinois State Toll Highway Authority



Internal Audit Activity Update

April 20, 2016
Cassandra Rouse



Agenda

Internal Audit (IA) purpose, authority and responsibility

Fiscal Control and Internal Auditing Act (FCIAA)

Cycle Audits

Internal Audit Activity

External Audit

Department Resources

Fiscal Control and Internal Auditing Act

INTERNAL AUDIT

- Our work during 2015 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

- Provide independent objective assurance and consulting engagements
- Add value in Tollway's effectiveness and efficiency
- IA has authority to access Tollway/agent employees and records
- Perform engagements proficiently and with due professional care pursuant to applicable standards

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 5 years—complete a quality assurance review accepted by SIAAB
- Frequently complete an internal quality assurance review
- Continuing Professional Education (CPE)

Fiscal Control and Internal Auditing Act

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

Cycle Audit Schedule

Title	Completed	Current
Agency Organization and Management	2015	-
Purchasing, Contracting and Leasing	2015	-
Expenditure Control	2015	-
Personnel and Payroll	2015	-
Petty Cash (if disbursements exceed \$5k)	2015	-
Administrative Support Services	-	2016
Budget, Accounting and Reporting	-	2016
Property, Equipment and Inventory	-	2016
Grant Administration	-	2016
Revenues and Receivables	-	2016
Electronic Data Processing	-	2016



Internal Audit Activity

Cycle Audit	2015 Audit Findings
Agency Organization and Management	2
Purchasing, Contracting and Leasing	1
Expenditure Control	0
Personnel and Payroll	5
Petty Cash (if disbursements exceed \$5k)	-

Additional 2015 IA Audits

IA Audit	Findings

Internal Audit Activity

2015

- Annual certification letter
- Risk-based reviews
- External audit coordination
- Cycle audits
- Construction site visits
- Payment Card Industry Audit coordination
- Pre-Implementation Review of critical system

2015 Internal Audit Activity

- All audit observations and recommendations are being appropriately addressed by management and have either been implemented or are scheduled for implementation.
- Internal Audit is organizationally independent and no restrictions have been placed on Internal Audit work.

2015 External Audit Activity

- 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 June 30, 2016

Internal Audit Department Resources

Cassandra Rouse

Vacant

Vacant

Shaun Farmer

Chad Hayden

Michael Pustelnik

Aldrenza Wright

Art Lemke

Chief Internal Auditor

Secretary

Senior Construction Audit Manager

Audit Manager

Internal Auditor

Internal Auditor

Internal Auditor

Information Systems Auditor