

**THE ILLINOIS STATE TOLL HIGHWAY AUTHORITY
MINUTES OF THE AUDIT
COMMITTEE MEETING**

April 17, 2013

The Illinois State Toll Highway Authority held the Audit Committee Meeting on Wednesday, April 17, 2013 at approximately 12:00 p.m. at the Central Administration Building in Downers Grove, Illinois.

Committee Members Present:

Chair Wolff

Committee Chair Gonzalez

Not Present:

Director Weisner

Committee Chair Gonzalez called the meeting to order and opened the floor for public comment.

CHAIR – AUDIT

Committee Chair Gonzalez then called for a motion to approve the minutes of the Audit Committee Meeting held on December 12, 2013. Chair Wolff made the motion to approve the minutes; seconded by Committee Chair Gonzalez. The motion passed unanimously.

Committee Chair Gonzalez then introduced Cassaundra Rouse, Chief Internal Auditor, to present Internal Audit Activity for 2013, as well as a recap of 2012 activities, as shown in the attached presentation.

Highlights of the presentation included a review of the State Internal Audit Advisory Board (SIAAB) requirements; the Fiscal Control and

Internal Auditing Act (FCIAA) requirements; cycle audits; 2012 internal audit activity recap; and 2013 upcoming internal audit activity. There were no audit findings reported for cycle audit in years 2010 or 2012.

Chair Wolff asked how contract and vendor audits are identified. Ms. Rouse responded the audits are risk-based reviews due to the level of activity on the contract. Senior-level management as well as various external outlets may also bring a matter to the attention of audit for a review. Chair Wolff asked how many reviews were brought to audit annually. Ms. Rouse responded three reviews were conducted in 2012.

Committee Chair Gonzalez asked if each department has a risk assessment conducted and based on the risk level is a review then conducted. Ms. Rouse responded yes and provided further detail on the risk assessment process.

Ms. Rouse explained the goals for the oases fuel audit. Committee Chair Gonzalez asked if the fuel audit was part of the cycle audit or independent. Ms. Rouse responded the audit was independent of the cycle audits. Chair Wolff asked if the fuel audit was being conducted of the oases or the actual fuel vendor, 7-11. Ms. Rouse confirmed the fuel audit was being conducted on the fuel vendor.

Chair Wolff asked about the goals of the construction practices review and audit. Ms. Rouse explained the vendor will review construction practices and contracts that were part of the Congestion Relief Program (CRP) and identify best practices that can be utilized under the current capital program, Move Illinois.

Discussion ensued on Payment Card Industry (PCI) annual assessment.

The procurement of the PCI Assessment is currently underway and is scheduled to start in the third quarter of 2013.

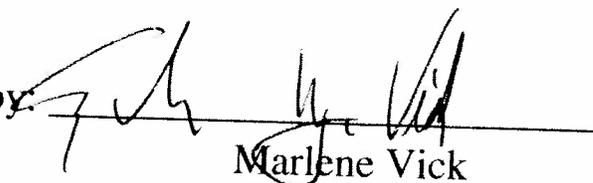
Discussion ensued on the current staffing levels and its possible effects on the audit plan. Committee Chair Gonzalez added that with the increase in audit activity in 2013, he supports beginning the process in order to fill the open positions to assist with the upcoming work. Ms. Rouse concurred.

Chair Wolff asked who reviews the cycle audits. Ms. Rouse responded it is reviewed by Committee Chair Gonzalez, the Executive Director and the Chief Internal Auditor.

There being no further business, Committee Chair Gonzalez requested a motion to adjourn. Motion to adjourn was made by Committee Chair Gonzalez; seconded by Chair Wolff. The motion was approved unanimously.

The meeting was adjourned at approximately 12:20 p.m.

Minutes taken by:



Marlene Vick

Assistant Board Secretary
Illinois State Toll Highway Authority



**Internal Audit Activity
Update**

April 17, 2013

Agenda

- Internal Audit (IA) purpose, authority and responsibility
- State Internal Audit Advisory Board (SIAAB)
- Fiscal Control and Internal Auditing Act (FCIAA)
- Internal Audit activity
- External Audit
- Payment Card Industry (PCI) annual assessment
- Internal Audit resources

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
- 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

IA Purpose, Authority and Responsibility

The Tollway Internal Audit function has:

- 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

State Internal Audit Advisory Board (SIAAB)

Requirements:

- Every five years complete a quality assurance review accepted by SIAAB
- Must complete an internal quality assurance review if:
 - Internal Audit standards change
 - There is a significant change in audit personnel
- Continuing professional education

Fiscal Control and Internal Auditing Act (FCIAA)

FCIAA Requirements include:

- Two-year audit plan
- Cycle audits
- Special audits/vendor audits
- System pre-implementation reviews
- Agency certification letter to Auditor General



Fiscal Control and Internal Auditing Act

Evaluating internal controls is one of Internal Audit's primary responsibilities

Control is any action taken by management, board and other parties to manage risk and increase likelihood that established objectives and goals will be achieved

What is a cycle audit?

Audits required by FCIAA 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

Fiscal Control and Internal Auditing Act

2013 Cycle Audits

- Agency management and oversight
- Personnel and payroll
- Expenditure control
- Purchasing and procurement
- Petty cash (if FY2013 disbursements exceed \$5,000)

Internal Audit Activity

Cycle Audit	2012 Audit Findings	2010 Audit Findings
Revenues and receivables	-	-
Grant administration	-	-
Property, equipment and inventory	-	-
Electronic data processing	-	-
Administrative supportive services	-	-
Budgeting, accounting and reporting	-	-
Additional Audit	2012 Audit Findings	
Kronos upgrade implementation	-	n/a
Total	0	0



Internal Audit Activity

Other 2012 Activity

- Annual certification letter
- Inventory consulting review
- External audit coordination
- PCI audit coordination
- Contract and vendor audits

Internal Audit Activity

2013

- Annual certification letter
- External audit coordination
- Cycle audits
- Oases fuel audit
- Construction practices review and audit services
- Contract and vendor audits
- PCI audit coordination

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 scheduled for release by June 30, 2013

Payment Card Industry (PCI) Annual Assessment

Compliance relates to infrastructure security and business procedures supported by Qualified Security Assessor (QSA)

- Annual self-assessment questionnaire
- Annual on-site security audit
- Mandatory compliance program resulting from a collaboration between the credit card associations
- Creates common industry security requirements for cardholder data

Payment Card Industry (PCI) Annual Assessment

- Common auditing and scanning procedures
- Facilitates broad adoption of consistent data security measures
- Annual report on information security controls surrounding payment card transactions - Tollway reached Tier 1 status in June 2012 with payment card service providers (*See Appendix A & B*)
- Required documents: Report on Compliance and Attestation on Compliance
- Report deadline: September 26, 2013

Payment Card Industry (PCI) Annual Assessment

- Internal Audit Chief and Internal Auditor are certified as Internal Security Assessors to assist with PCI compliance assessment
- Tollway seeking to procure a five-year contract with a external firm to provide ongoing annual PCI assessment and reporting

Internal Audit Department - Resources

Cassandra Rouse	Chief Internal Auditor
Vacant	IA Manager
Michael Pustelnik	Internal Auditor
Chad Hayden	Internal Auditor
Aldrenza Wright	Internal Auditor
Art Lemke	Information Systems Auditor

Appendix A: Levels of Merchants

Tier	Transactions per Year	Types of Targets
1	<ul style="list-style-type: none"> ➤ More than 6 million ➤ Anyone with breach 	Merchants, merchant agents, processors, direct connects
2	<ul style="list-style-type: none"> ➤ 1 - 6 million 	Merchants, merchant agents, processors
3	<ul style="list-style-type: none"> ➤ 20,000 - 1 million 	eCommerce merchants
4	<ul style="list-style-type: none"> ➤ All other merchants 	Merchants

Appendix B: Validation Requirements

- **Level 1 - Visa/MasterCard** - Annual on-site review by merchant's ISA internal auditor or a **Qualified Security Assessor (QSA)** and a quarterly network security scan with an **Approved Scanning Vendor (ASV)**. Completion of a Report on Compliance (ROC) and Attestation of Compliance (AOC).
- **Level 2** - Completion of PCI DSS Self Assessment Questionnaire annually **and** quarterly network security scan with an approved ASV.
- **Level 3** - Completion of PCI DSS Self Assessment Questionnaire annually **and** quarterly network security scan with an approved ASV.
- **Level 4** - Completion of PCI DSS Self Assessment Questionnaire annually **and** quarterly network security scan with an approved ASV.
- Submit summary of PCI compliance plan, via acquirer designated date.