Record of Meeting | August 15, 2019

The Illinois State Toll Highway Authority ("Tollway") held the regularly scheduled Audit Committee Meeting on Thursday, August 15, 2019 in the Boardroom of the Tollway's Central Administration Building in Downers Grove, Illinois. 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.* 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 / Pledge of Allegiance / Roll Call

Committee Chair Alice Gallagher called the Meeting to order at approximately 9:30 a.m., stating that this is the regularly scheduled meeting of the Audit Committee of the Tollway Board of Directors. She invited attendees to rise and join in the Pledge of Allegiance. 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
Director Cesar Santoy
Committee Members Not Present:
None

Other Directors in Attendance:
Director James Connolly
Director Stephen Davis
Chairman Will Evans, Jr.
Director Gary Perinar
Director Jim Sweeney

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 April 18, 2018, as presented. Director Santoy made a motion to approve the Minutes, seconded by Director Paddock. The motion was PASSED unanimously.

Committee Business

Internal Audit 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, key Internal Audit activities, cycle audits and Internal Audit resources and staff allocations for 2019 and 2020.

Adjournment

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

The meeting was adjourned at approximately 9:44 p.m.

Minutes taken by: Christi Regnery

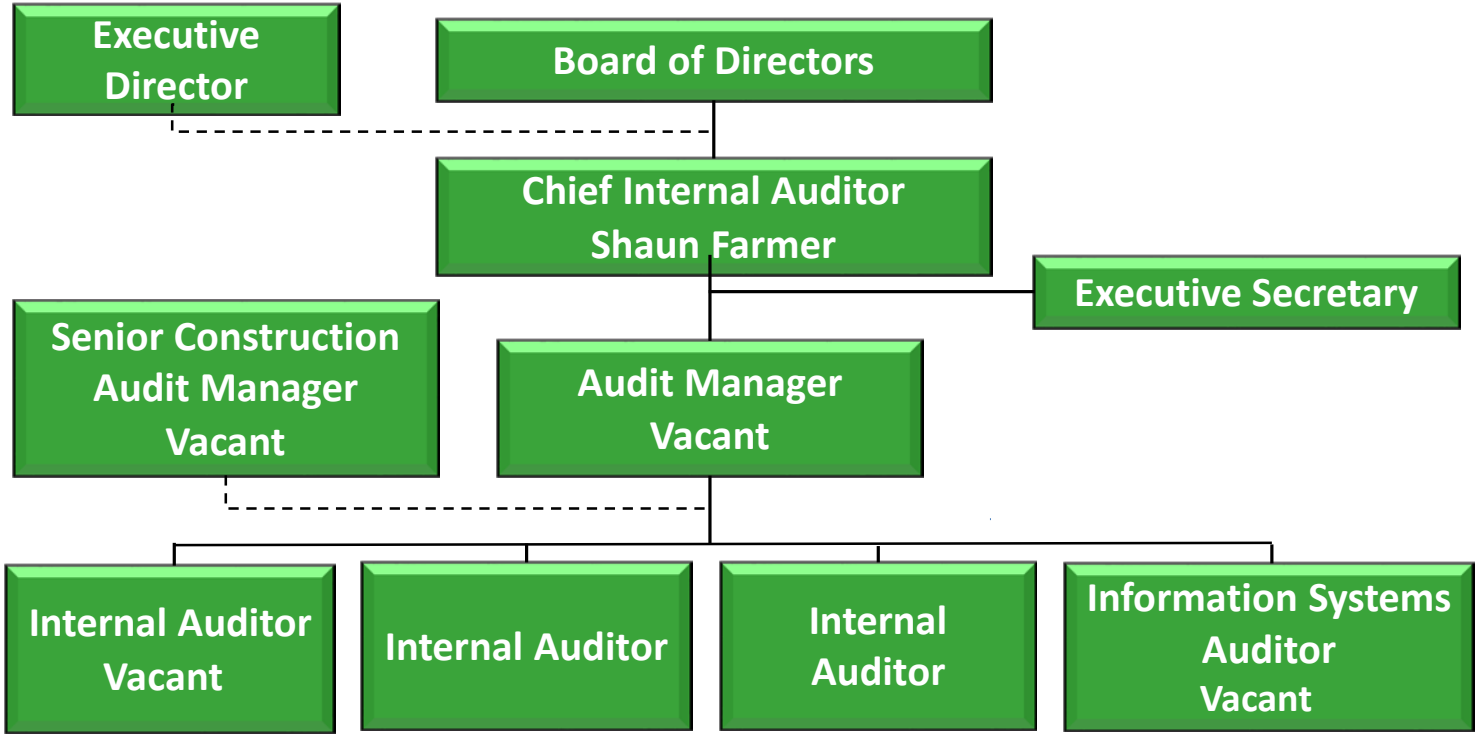
Christi Regnery
Board Secretary
Illinois State Toll Highway Authority

Internal Audit Department Overview

August 15, 2019

Presented by Shaun Farmer

Internal Audit Department Organization



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

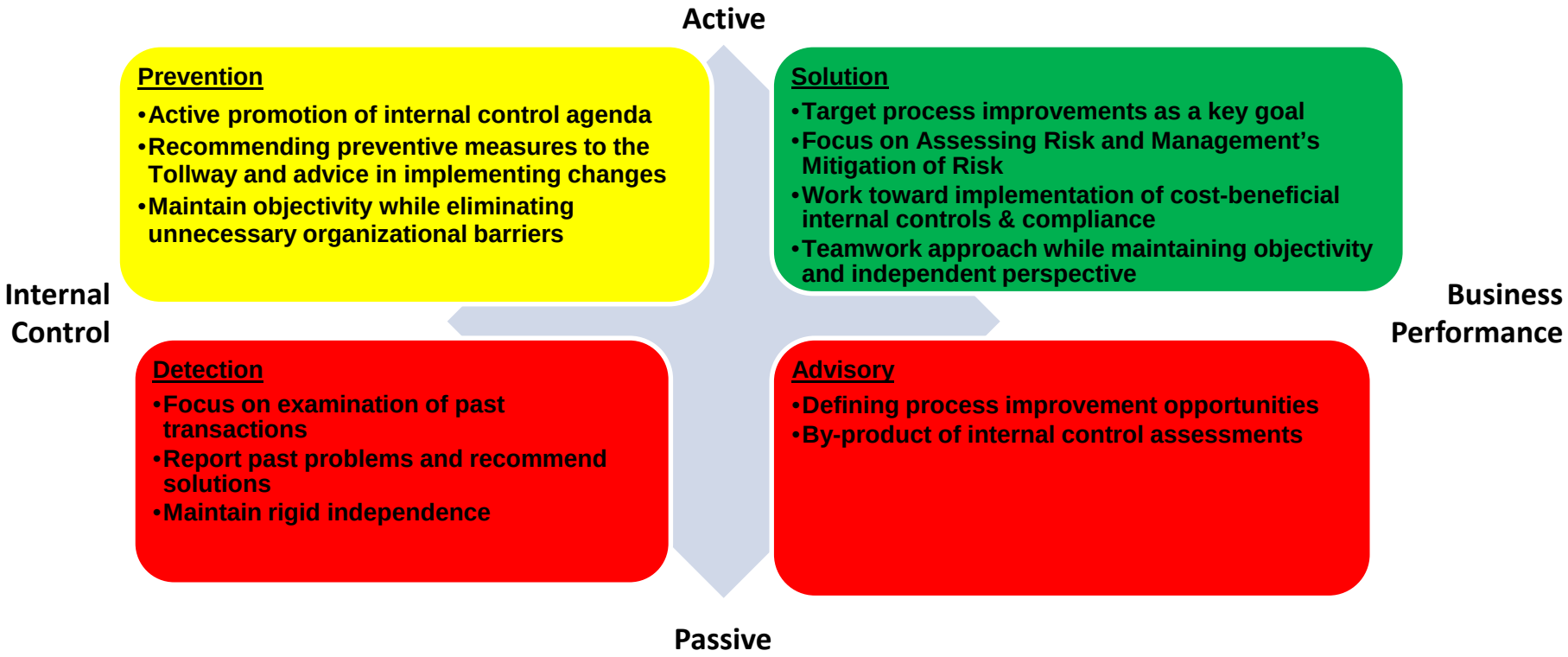
Internal Audit Roles and Responsibilities

- Internal Audit is an independent, objective assurance and consulting activity, which is established to add value and improve the Tollway's operations
- Internal Audit assists the Tollway in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes
- The role of Internal Audit is formally defined in the Internal Audit Charter (provided) and the audit activities are set out in the Annual Audit Plan
- Internal Audit confirms with the Board and Executive Director, at least annually, the organizational independence of the internal audit activity

Internal Audit Scope

- Internal Audit does not and cannot have any management responsibilities beyond the scope of auditing
- Internal Audit cannot install systems or procedures, prepare records, or engage in any other activity which would be audited or reviewed by Internal Audit
- At the beginning of each audit, team members participating in the engagement sign independence statements to confirm their objectivity
  - Any impairments by a team member would be disclosed and addressed accordingly, if necessary

Key Department Functions - Mission



Key Department Functions

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 (IIA Standards)
- Code of Ethics of the Institute of Internal Auditors
- State of Illinois Internal Audit Advisory Board (SIAAB) guidance
- Generally Accepted Government Auditing Standards (GAGAS)
- Internal Audit's Charter

Key Department Functions

Fiscal Control Internal Auditing Act (FCIAA) requirements

- Two-year audit plan (provided)
- Cycle audits
- Vendor audits/special audits
- System pre-implementation reviews
- Annual agency certification letter to Auditor General due May 1

Cycle Audit Schedule

Title	Scheduled Completion	
Agency Organization and Management	2019	-
Purchasing, Contracting and Leasing	2019	-
Expenditure Control	2019	-
Personnel and Payroll	2019	-
Petty Cash (if disbursements exceed $5,000)	2019	2020
Grant Administration		2020
Administrative Support Services	-	2020
Budget, Accounting and Reporting	-	2020
Property, Equipment and Inventory	-	2020
Revenues and Receivables	-	2020
Electronic Data Processing	-	2020

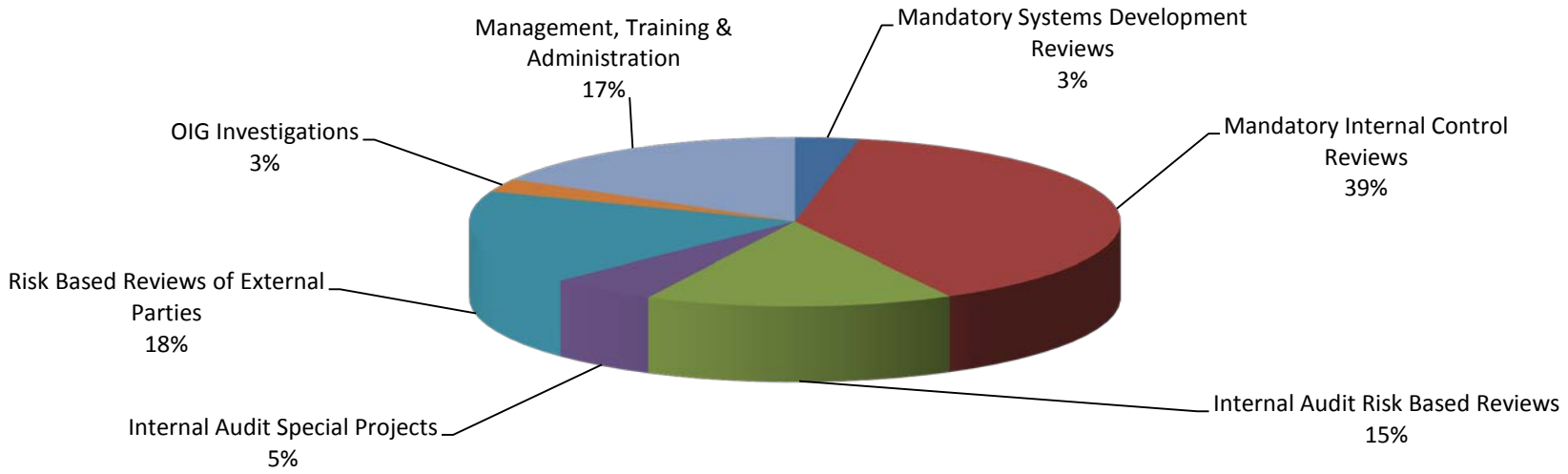
2019 Internal Audit Plan

Internal Audit resource availability – 2019

Allocation of available hours		
Mandatory internal control reviews	2,448	39 percent
Management, training and administration	1,046	17 percent
Risk-based reviews of external parties	1,134	18 percent
Internal Audit risk-based reviews	960	15 percent
Internal Audit special projects	336	5 percent
Mandatory systems development reviews	200	3 percent
OIG investigations	160	3 percent
Total hours 2019	6,284	100 percent

2019 Audit Plan

FY 2019 Audit Staff Planned Allocations



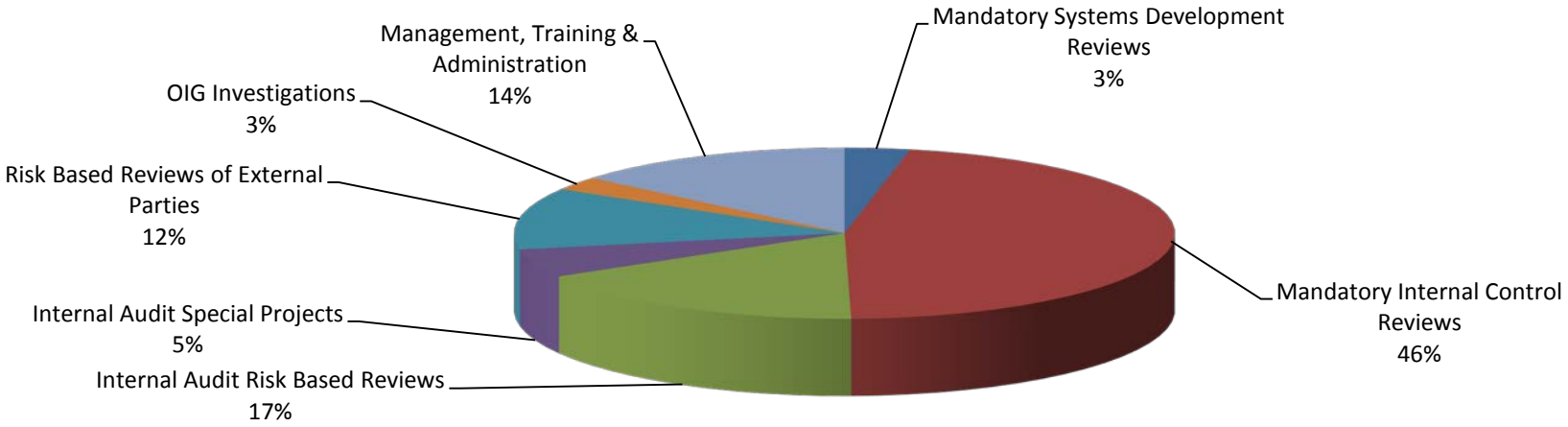
2020 Internal Audit Plan

Internal Audit resource availability – 2020

Allocation of available hours		
Mandatory internal control reviews	2,908	46 percent
Management, training and administration	866	14 percent
Risk-based reviews of external parties	730	12 percent
Internal Audit risk-based reviews	1,056	17 percent
Internal Audit special projects	336	5 percent
Mandatory systems development reviews	200	3 percent
OIG investigations	160	3 percent
Total hours 2020	6,256	100 percent

2020 Audit Plan

FY 2020 Audit Staff Planned Allocations



Audit Committee Agenda Items

April meetings

- Summary of Internal Audit's purpose, authority, responsibilities and performance relative to audit plan
- Internal Audit activities results from prior year, including risk exposure and/or control issues
- Governance issues/concerns

August meetings (generally optional)

- Results of Annual External Audit
- Governance issues/concerns

October meetings (generally optional)

- Governance issues/concerns

December meetings

- Current State of Internal Audit resources
- Approval of Two-Year Audit Plan
- Governance issues/concerns

- Meetings with the Audit Committee are held at a minimum, twice per year with additional meetings being optional
- Results of the committee meetings are communicated to the full Board

Current Initiatives/Projects

Audit Activity

- Agency Organization and Management Cycle Audit – in progress
- Personnel and Payroll Cycle Audit – in progress
- Purchasing Cycle Audit – in progress
- Annual Internal Control Certification review – completed
- Follow-up audits on prior year(s) audit findings – completed
- 2018 Annual External Audit (Financial, Compliance, IT) – Clifton, Larson, Allen LLP – completed
- TeamMate + Internal Audit management software upgrade – completed

THANK YOU