INTERNAL AUDIT

External Audit Results

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August 20, 2020
AGENDA

Auditor General/External Auditor relationship
Auditor General communication commitments
External Audit core elements
External Audit highlights
Audit takeaways
Audit findings results

Note: The audit is the work of the external auditors and some questions may need to be relayed to them in order to obtain a sufficient answer.
Auditor General performs audits of all Illinois State agencies

Competitive bid process for engaging public accounting firms to perform the Tollway audit

Engaged Clifton, Larsen, Allen, LLP (special assistant auditors) to perform audit

- Tollway interacts with the Auditor General and CLA for the audit
EXTERNAL AUDIT KEY AREAS OF FOCUS

Three component areas of the audit

- Financial
- Compliance
- Information Technology
AUDITOR GENERAL COMMUNICATION COMMITMENTS

Fraud
• Involving senior management, material misstatement, noncompliance, abuse

Significant deficiencies/weaknesses

Oversight of financial reporting process

Corrected misstatements
• Proposed corrections recorded that may have not been detected except through the audit

Uncorrected misstatements
• Individual or aggregated transactions not corrected due to immaterial nature

Disagreements with management

Other matters requiring communication by U.S. auditing standards
Procedures comply with applicable professional independence standards

Address financial interests, business/personal relationships and non-audit services that may be a threat to independence

External audit firm and Auditor General restrict certain non-audit services that may be provided and require the agency to accept responsibilities
PLANNING THE TOLLWAY’S AUDIT

Meet with the Office of Auditor General, the Board of Directors and with executive staff to obtain an understanding of business objectives, strategies, risks and performance

• Strong emphasis on understanding how the Tollway functions
• Identify key audit components and tailor procedures to the unique aspects of the Tollway

Obtain understanding of internal controls

• Assess impacts determining the nature, timing, and extent

Establish overall materiality limit for the audit

Inform Tollway executive staff of individual unrecorded misstatements

• Aggregated as a result of test work
Audit of the financial statements includes:

- External auditors obtaining an understanding of sufficient internal controls
- Determination of the nature, timing and extent of audit procedures to be performed

Not designed to provide assurance on internal controls or to identify significant deficiencies or material weaknesses

Review and understanding of internal control environment
FINANCIAL AUDIT OBJECTIVES

Audit complies with

• U.S. Generally Accepted Accounting Principles (GAAP)
• Governmental Accounting Standards Board (GASB)
• Comptroller General of the United States
• Illinois State Auditing Act

• Due to inherent limitations of an audit and internal control, unavoidable risk exists of some material misstatements going undetected despite proper planning and performance in accordance with GAAP
STATE COMPLIANCE OBJECTIVES

Report on whether the Tollway reported revenues and receipts, money and other assets, in compliance with applicable laws and regulations

- Including the Statewide Accounting Management System (SAMS)

Designed to obtain reasonable assurance of no material misstatement

Does not provide a legal determination of the Tollway's compliance with specified requirements

- Because of inherent limitations, unavoidable risk exists that some material misstatements may not be detected

State compliance examination included consideration and testing of Tollway's internal controls over compliance

- In accordance with the Audit Guide
Accounting standards generally accepted provide Required Supplementary Information (RSI) to the Tollway's basic financial statements

- Management’s Discussion and Analysis (MD&A)
- Required by the GASB

Certain limited procedures applied to Tollway's RSI with auditor’s engagement

- Inquiries of management regarding preparation of information methods
- Comparing the information for consistency with management's responses to inquiries, basic financial statements, and other knowledge obtained during the audit
- Presented for additional analysis for State Compliance purposes as prescribed by the Audit Guide

The external auditors do not express an opinion or provide any assurance on RSI and schedules marked “not examined” or " unaudited”
TOLLWAY MANAGEMENT RESPONSIBILITIES

Prepare supplementary information
Basic financial statements
Adjustments or corrections
Establishment and maintenance of records
Effective internal controls
Confirm uncorrected misstatements
Design and implementation of fraud prevention program
Written response of findings
Documentation is confidential during audit

- Any legal or regulatory information that needs to remain confidential must be identified to the auditors

Audit Report and supporting documentation are public post-audit

Auditors read minutes of Board meetings

- Ensures consistency
- Properly informs the Board, copies of written communication received

Determine if the Board is informed of the following by management

- Changes in accounting polices or application
- Methods used for unusual transactions
- Significant accounting policy effects
Financial Audit

- Tollway received highest achievable rating; an unmodified opinion on the financial statement audit
- Auditors opined both Tollway financial statements and supplementary information were presented fairly
- No financial statement findings for FY 2019
Compliance Audit

• External auditors opined the Tollway was compliant with requirements
• No deficiencies identified as material weakness
• Instances of noncompliance
• Supplementary information in Schedules 1 and 2 are fairly stated
2019 EXTERNAL AUDIT TAKEAWAYS

Accounting policies
Accounting estimates
Financial statement disclosures
Uncorrected misstatements
Corrected misstatements
No disagreements with management
Findings are rated as follows:

- **Material weakness**: reasonable possibility that a material misstatement in the financial statements will not be prevented, detected, or corrected on a timely basis

- **Significant deficiency**: less severe than a material weakness, yet important enough to merit attention by those in charge of governance
# 2019 External Audit Results

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<tr>
<th>Finding Number</th>
<th>Finding Title</th>
<th>Finding Rating</th>
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<tbody>
<tr>
<td>2019-001</td>
<td>Consistent and timely retention of I-9 Forms</td>
<td>X</td>
</tr>
<tr>
<td>2019-002</td>
<td>Consistent approval of time cards</td>
<td>X</td>
</tr>
<tr>
<td>2019-003</td>
<td>Electric vehicle charging station installation</td>
<td>X</td>
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<tr>
<td>2019-004</td>
<td>Consistent and timely response to Inspector General Report</td>
<td>X</td>
</tr>
<tr>
<td>2019-005</td>
<td>Consistent and timely payment of vendor invoices</td>
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THANK YOU