



## Record of Meeting | December 17, 2020

The Illinois State Toll Highway Authority (“Tollway”) held the regularly scheduled Audit Committee meeting on Thursday, December 17, 2020. 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.*

Due to necessary precautions relating to COVID-19, in accordance with the Gubernatorial Disaster Proclamation and current conditions, and consistent with the Open Meetings Act, it was determined by Chairman Willard S. Evans, Jr. that an in-person meeting of the body was neither practical nor prudent. In compliance with all conditions of Section 7(e) of the Open Meetings Act, 5 ILCS 120/7(e), the Committee meeting was conducted by audio conference. A telephone access number was provided for members of the public to monitor and/or participate in the meeting.

## Call to Order / Roll Call

Committee Chair Alice Gallagher called the meeting to order at approximately 9:31 a.m., stating that this is the regularly scheduled meeting of the Audit Committee of the Tollway Board of Directors. 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 James Connolly
Director Scott Paddock
Director Gary Perinar

Other Directors in Attendance:
Director Stephen Davis
Director James Sweeney
Chairman Willard S. Evans, Jr.
Director Karen McConnaughay

Committee Members Not Present:
None

The Board Secretary declared a quorum present.

## Public Comment



Committee Chair Gallagher opened the floor for public comment, requesting that speakers limit their remarks to three minutes. Ms. Summer Harris asked for a description of the Audit Committee's function. The Board Secretary responded that the established meeting format only allows for statements by the public during the public comment portion of the meeting. Ms. Harris requested that in future meetings the format allow for questions and responses. Committee Chair Gallagher responded that the suggestion would be taken under consideration.

### **Committee Chair's Items**

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Committee Chair Gallagher entertained a motion to approve **Committee Chair's Item 1**, the Minutes of the regular Audit Committee meeting held on August 20, 2020, as presented. Director Connolly made a motion to approve the minutes, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

Committee Chair Gallagher stated that without objection, action on **Committee Chair's Item 2**, Authorization to implement the Enterprise Risk Management Program, will be deferred until after consideration in Executive Session of the full Board to allow for any questions involving internal audit controls and identification of potential risk areas. She stated that Cassandra Rouse, Chief Strategy & Implementation Officer, will be providing an overview of the Enterprise Risk Management Program to the Committee in the latter portion of the meeting.

Having no further items, Committee Chair Gallagher called on Executive Director José Alvarez.

### **Committee Business**

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**Internal Audit Department Update:** Executive Director Alvarez introduced Shaun Farmer, Chief Internal Auditor, to present to the Committee an update on Internal Audit Department activity and the External Audit results. [See attached presentation.](#)

During the presentation, Mr. Farmer discussed the Cycle Audit Schedule, audit highlights and the proposed 2-Year Audit Plan.

**Enterprise Risk Management:** Executive Director Alvarez introduced Cassandra Rouse, Chief Strategy & Implementation Officer, to present to the Committee an overview of the proposed



Enterprise Risk Management Program, a structured, organization-wide approach to monitor, identify, assess and manage risk. [See attached presentation.](#)

### Items for Consideration

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#### Internal Audit

*Item 1: Approval of 2-Year Audit Plan.*

Committee Chair Gallagher entertained a motion to approve **Internal Audit Item 1**, as presented. Director Connolly made a motion to approve the minutes, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

#### Adjournment

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There being no further Committee business, Committee Chair Gallagher entertained a motion to adjourn. Director Paddock made a motion to adjourn, seconded by Director Perinar. Committee Chair Gallagher asked that the roll be called on the motion, the vote of yeas and nays being as follows:

Yeas: Director Connolly, Director Perinar, Director Paddock, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

The meeting was adjourned at approximately 10:05 a.m.

Minutes taken by: \_\_\_\_\_

Christi Regnery  
Board Secretary  
Illinois State Toll Highway Authority



# INTERNAL AUDIT UPDATE

**Shaun Farmer, *Chief Internal Auditor***

**December 17, 2020**

# AGENDA

- Audit Committee schedule**
- Internal Audit Charter**
- Internal Audit resources**
- Audit Plan considerations**
- Internal Audit Plan**
- Next steps**



# AUDIT COMMITTEE 2021 SCHEDULE

## April

- Summary of Internal Audit's purpose, authority and responsibility
- Results relative to approved Audit Plan
- Results from prior year
- Governance issues/concerns

## August

- Results of the annual external audit

## December

- Current state of Internal Audit resources
- Approval of two-year audit plan
- Audit Charter review (if needed)



# INTERNAL AUDIT CHARTER

**Purpose**

**Accountability and authority**

**Responsibilities**

**Scope of work**

**Independence**

**Reporting process**

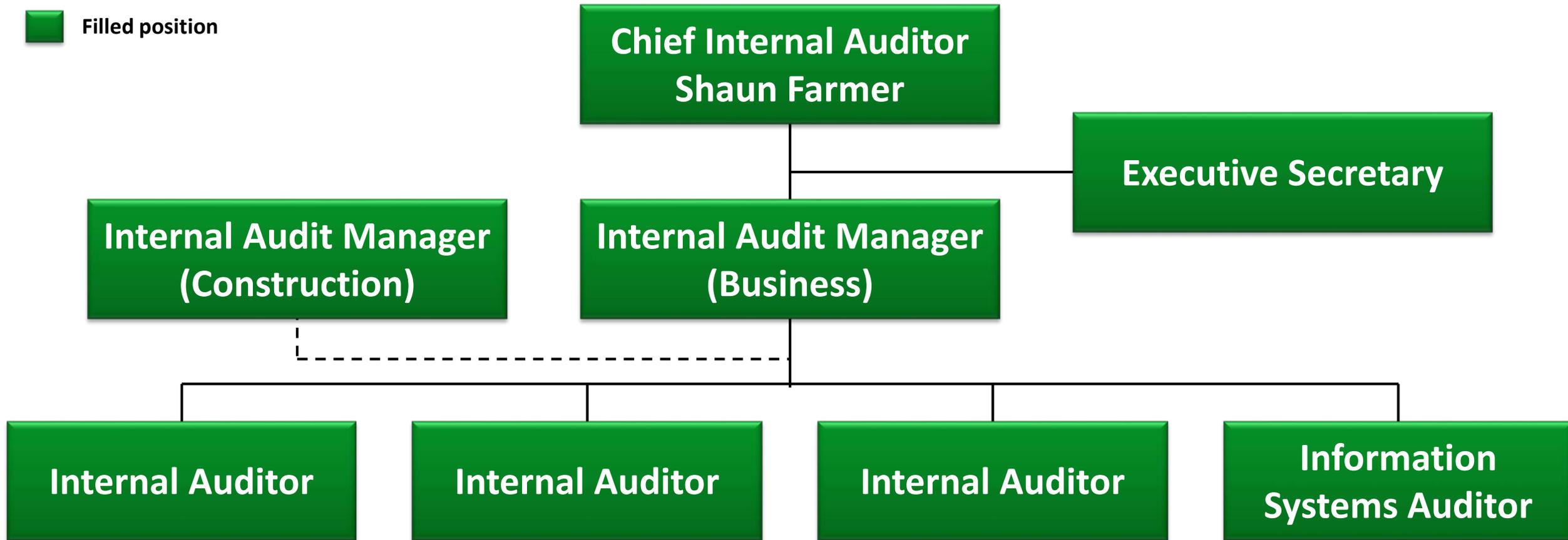
**Periodic assessments**



# DEPARTMENT ORGANIZATION

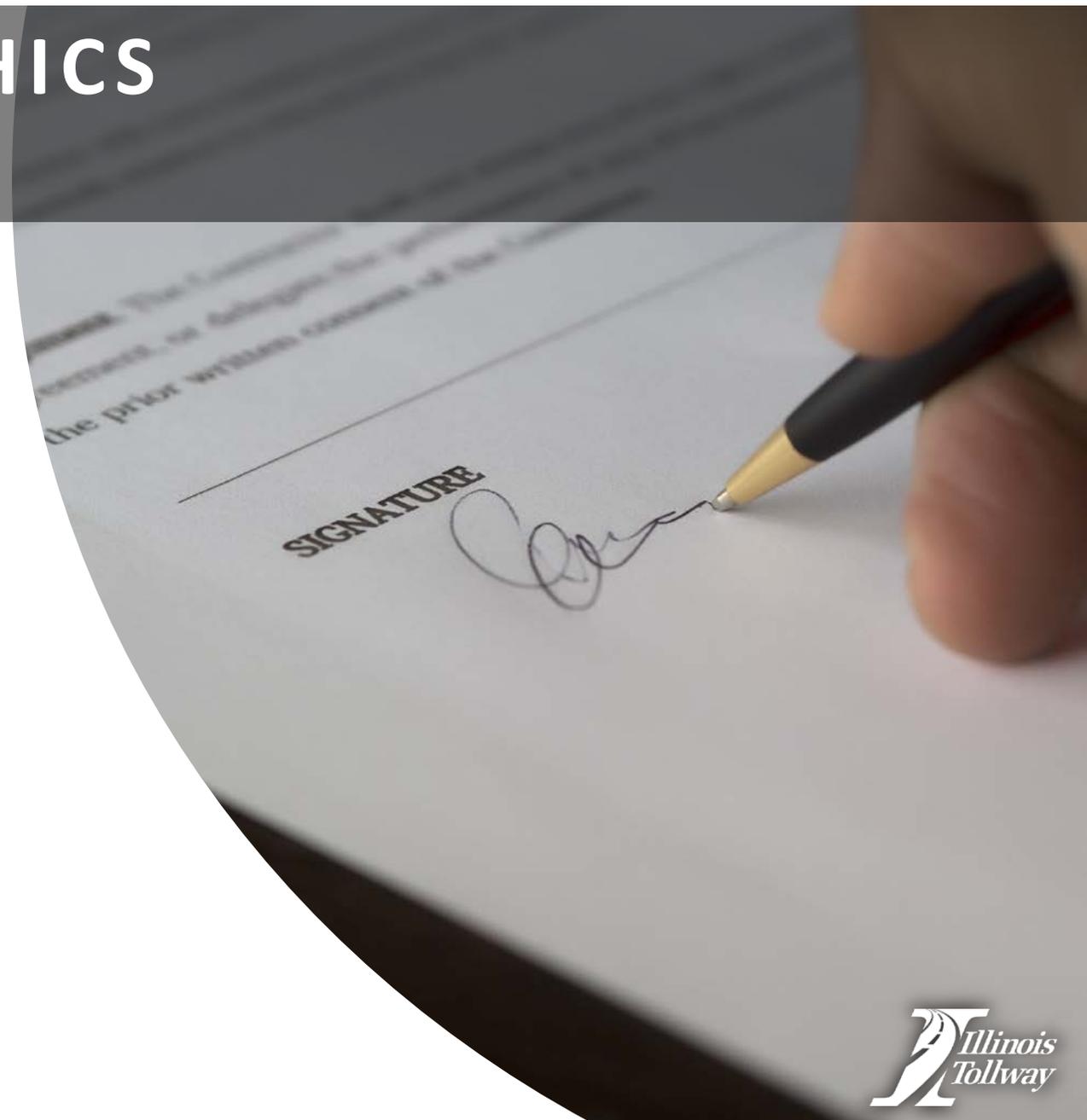


Filled position



# INDEPENDENCE AND ETHICS

**Internal Audit confirms that there are no significant facts or matters that impact or impair our independence as auditors**



# AUDIT PLAN

**Annual ongoing risk-based exercise to identify concerns, potential risk areas to be considered for inclusion in annual Audit Plan**

**Resources, skill set mix of Internal Audit staff**

## **Key factors:**

- Potential for impact on agency wide policies and procedures
- Changes in systems, processes, policies or procedures
- Results and time since last audit engagement
- Extent of government regulation
- Information and communication
- Transaction volume
- Staffing levels



# CYCLE AUDIT SCHEDULE

2021

Personnel/Payroll

Purchasing and Procurement (Procurement Process)

Agency Organization and Management (AOM) Cycle

Expenditure Cycle

Petty Cash (*if disbursements exceed \$5,000*) OR Grants (*if Tollway receives any grants*)

Revenues and Receivables

2022

Property, Equipment and Inventory

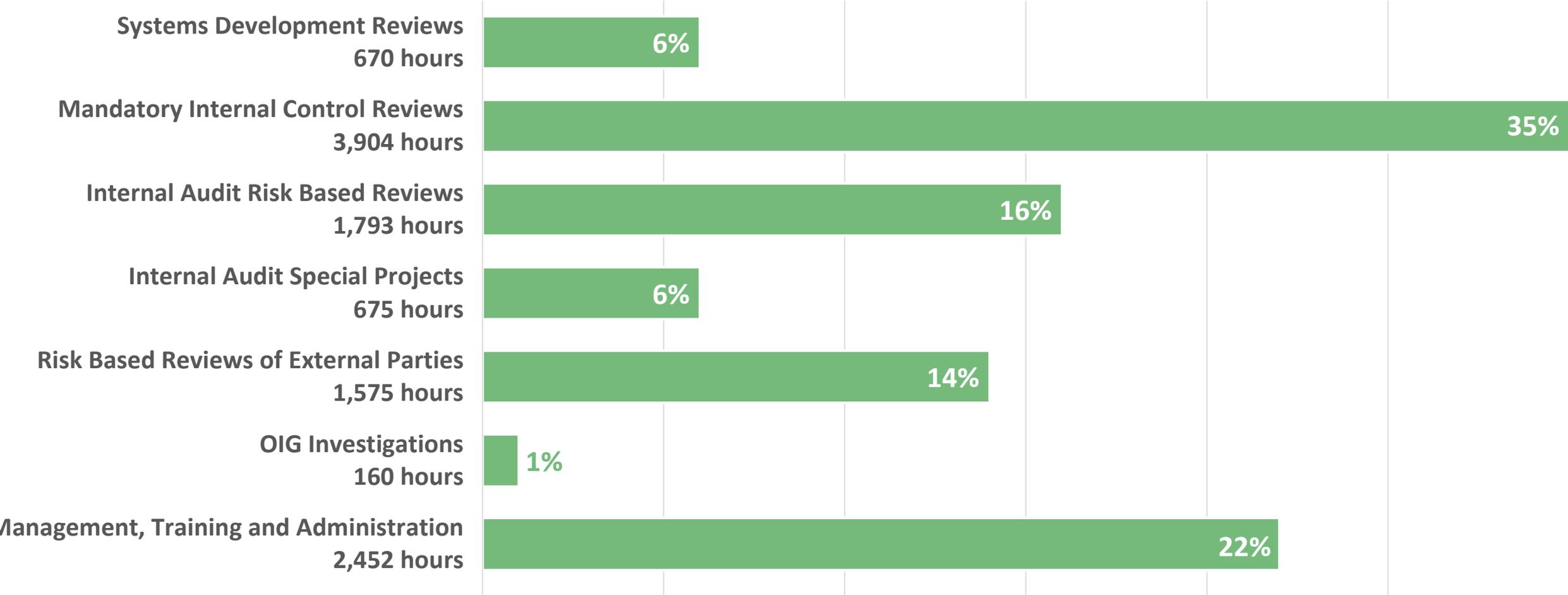
Budget Accounting and Reporting

Electronic Data Processing

Administrative Support Services

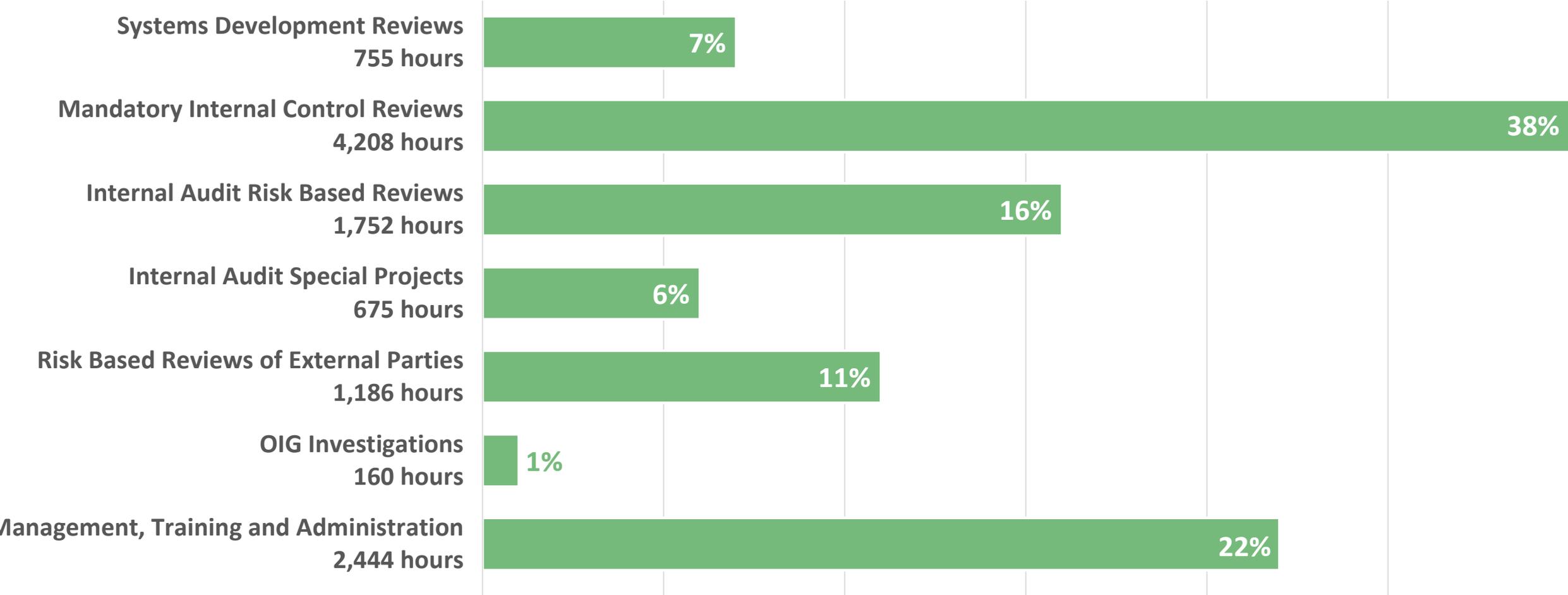
# 2021 INTERNAL AUDIT PLAN

## *Allocation of available hours*



# 2022 INTERNAL AUDIT PLAN

## *Allocation of available hours*



# 2020 AUDIT ACTIVITY HIGHLIGHTS

- ✓ **Completed all required cycle audits**
- ✓ **Performed additional reviews of construction processes**
- ✓ **On-time submittal of annual Internal Control Certification Letter**
- ✓ **Actively managed open audit findings, partnered with business for closure**
- ✓ **Liaison for the 2019 annual External Audit (financial, compliance, IT)**
- ✓ **Key member in the implementation of the Tollway's ERM and SOX programs**
- ✓ **Procured TeamMate+ controls audit software**
- ✓ **Oversight of Tollway's annual PCI review**
- ✓ **Annual September 30 letter to the Executive Director**
- ✓ **Filled key vacant positions to achieve optimal staffing levels**



# NEXT STEPS

## Approval of the 2021-2022 two-year Tollway Audit Plan



An aerial photograph of a multi-lane highway interchange with several overpasses and ramps. The scene is set in a green, rural landscape with some water features. The text "THANK YOU" is overlaid in large, white, sans-serif capital letters across the center of the image.

THANK YOU



# ILLINOIS TOLLWAY

## *Enterprise Risk Management*

Chief Strategy and Implementation Officer  
December 17, 2020



# Agenda

**Enterprise Risk Management (ERM) Overview**

**Tollway ERM Framework**

**Risk Identification**

**Key Areas of Review**

**Risk Mitigation Plans**

**Next Steps**



# ERM Overview

## What is ERM?

- A structured, organization-wide approach to monitor, identify, assess and manage issues and uncertainties that threaten fulfillment of our mission, programs and operations.
- ERM is an inherent and critical component of leaderships strategy development and execution, as well as a component of Board oversight



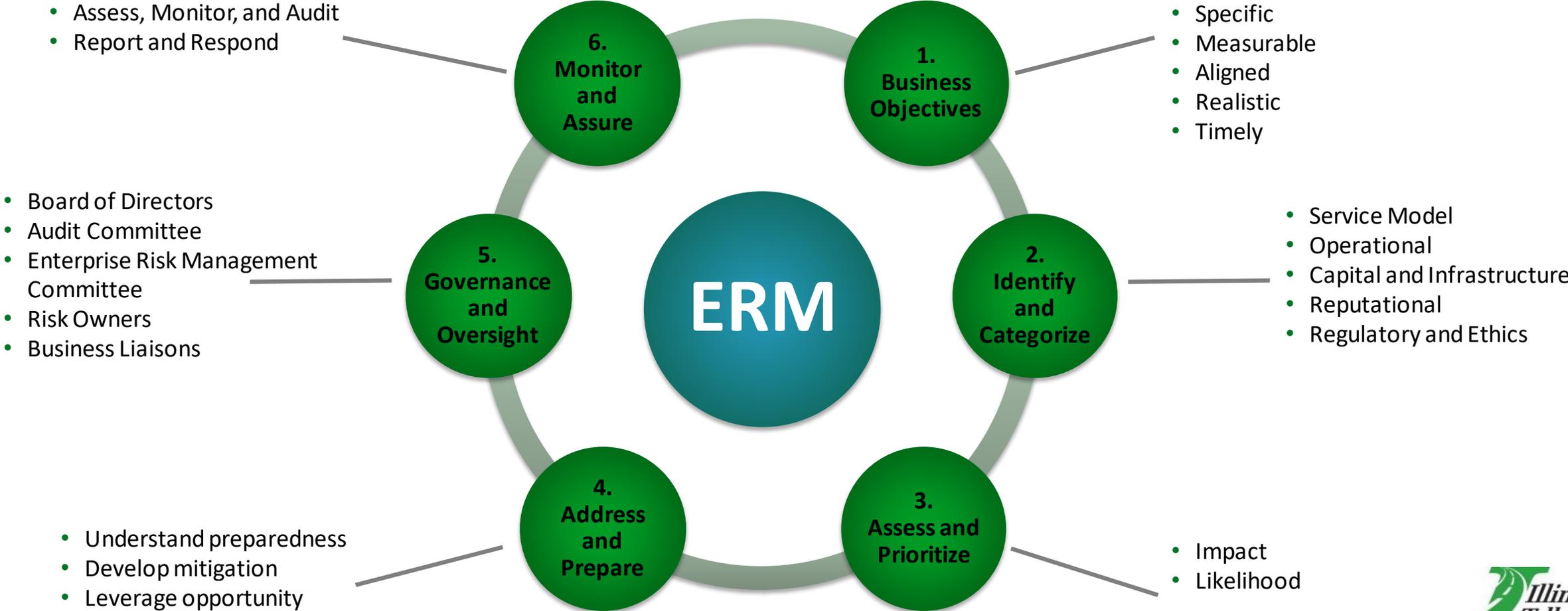
# ERM Overview

## EVERYONE HAS A ROLE

- Board
  - Oversight
  - Direction
- Senior Management
  - Implement, execute, monitor, report
- Staff—Roles tailored to position, risk awareness



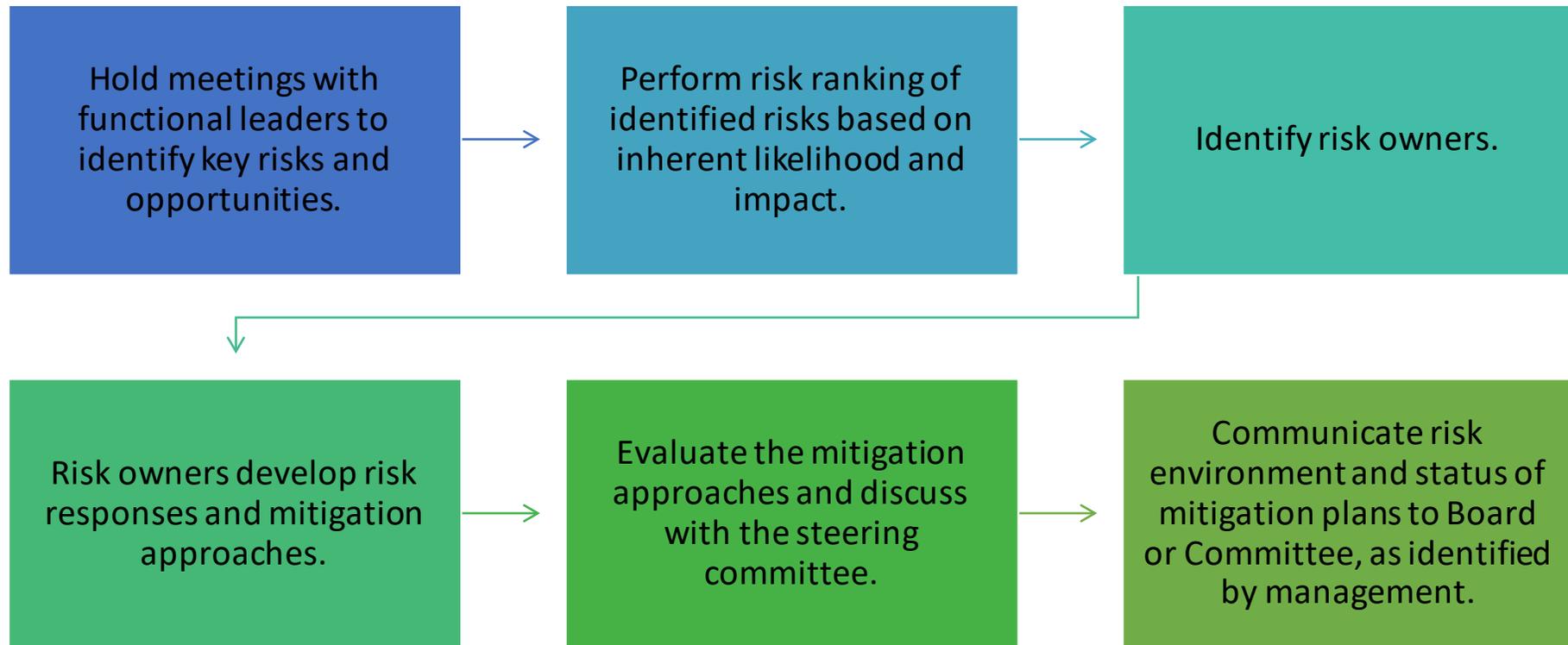
# Tollway ERM Framework



# ERM Overview

ERM Component	Board/Committee	Senior Management/ ERM Committee
ERM Plan	Support/Track Progress	Develop and Implement
Risk Tolerance	Debate and approve	Establish and Manage
Risk Policies	Approve and Monitor	Develop and Implement
Risk Strategies	Debate Approve Monitor	Formulate and Execute
Key Risks	Provide input and oversight	Manage and Measure
Risk Reporting	Monitor and Feedback	Analysis and Context

# Enterprise Risk Management Process Overview



# Identification of ERM Risks

## Risk Intelligence Sources

- Senior leaders and business area subject matter experts
- Existing issues management lists
- Strategic business objectives for department

## Risk Consolidation Process

- Identified risks consolidated via business area-specific discussions held

## Identification of Enterprise-Level Risks

- Business area-identified risks are aggregated, where appropriate, and assessed using likelihood and impact criteria
- ERM Committee evaluate and risk rank proposed risks
- Risk Owners provide mitigation strategies and prioritize for further action/review
- Business areas continue to own risk mitigation plans specific to their business



# ERM Management

- Chief Strategy and Implementation Officer
- ERM Committee
- ERM Liaisons from within the business

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Risk Mitigation Plan Monitoring and Reporting</b>											
<b>Chief Strategy and Implementation Officer (Core Lead)</b>											
<b>Review Risk Mitigation Plans January–December</b>											
Identify Emerging Risks	Risk Prioritization	Enterprise- level Consolidation and Prioritization	ERM Risk Documentation, Mitigation Plan Developments and Updates				Support Business Planning, Identification of Emerging Risks, Annual Reporting Activity				



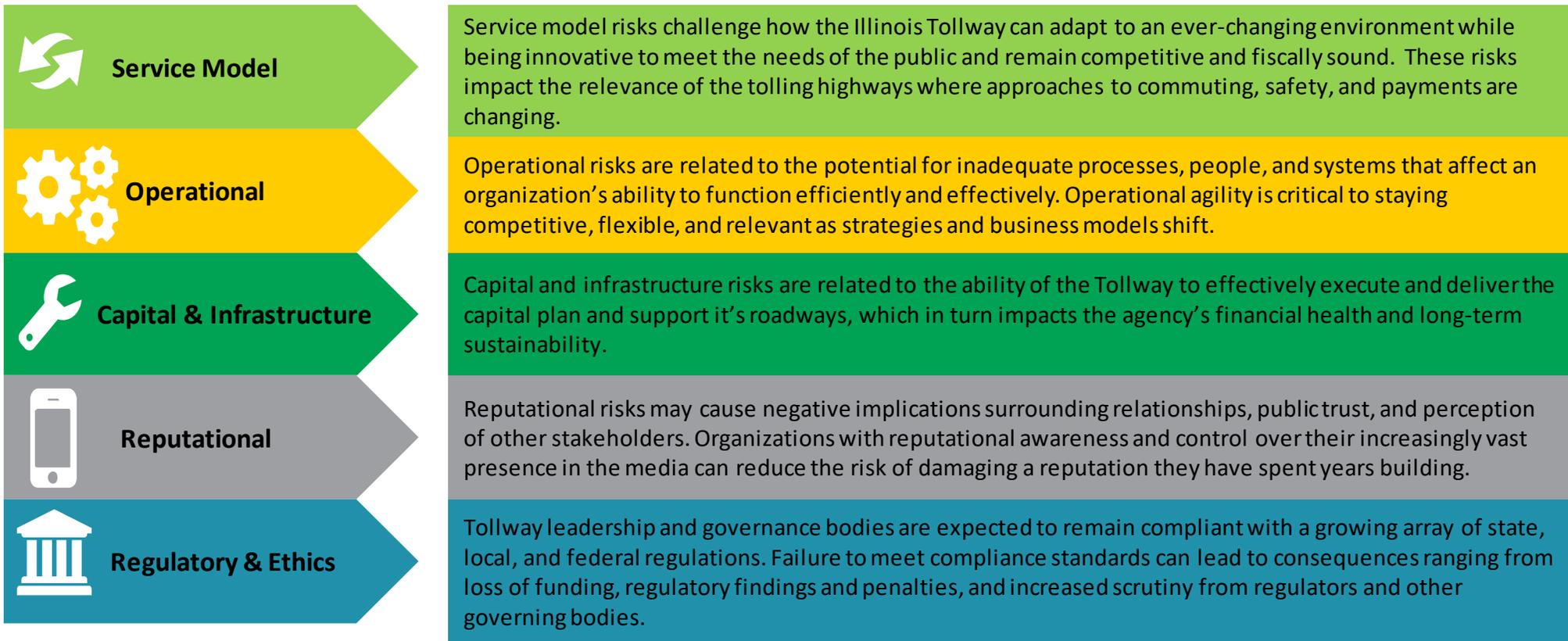
# Enterprise Risk Management Accomplishments

- Established ERM Steering Committee and ERM Charter
- Conducted kickoff meeting and initial training session for ERM Steering Committee members
- Conducted interviews with risk owners organization-wide, reviewed pertinent documentation and documented key risk themes for inclusion in the ERM Risk Register
- ERM Steering Committee met to discuss key risk themes and assigned the initial risk rankings
- Collected and consolidated preliminary mitigation strategies from identified risk owners for inclusion in ERM program materials



# Enterprise Risk Management

## Risk Domains and Definitions



# ERM Program Strength

- A formal ERM program has been established, which includes an ERM Committee
- Risks have been identified and assessed
- Risk mitigation strategies have been identified
- Internal Audit is part of the ERM Committee



# Next Phases of ERM Process

- Continue to evaluate and assess the current ERM risk universe
- Continue with reporting formats and ERM Committee meeting cadence
- Utilize key risk indicators to enhance risk monitoring effectiveness
- Ensure sufficient resource allocation to Strategy Department for ERM program and ongoing mitigation activities and oversight
- Board formal adoption of the Tollway ERM Program





THANK YOU