



## Record of Meeting | August 20, 2020

The Illinois State Toll Highway Authority (“Tollway”) held the regularly scheduled Audit Committee Meeting on Thursday, August 20, 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, without the physical presence of a quorum of the members. 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 9:30 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. No public comment was offered.



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## 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 April 30, 2020, as presented. Director Paddock 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 Paddock, Director Perinar, Director Connolly, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

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

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## 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 Auditor General and the External Auditor's relationship as it relates to the Tollway, communication commitments from the auditors, audit highlights and takeaways and the External Auditor's findings.

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## Items for Consideration

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### Internal Audit

Committee Chair Gallagher called on Shaun Farmer, Chief Internal Auditor, to present to the Committee the following Audit item:

***Item 1:** Award of Contract 20-0048 to Baker Tilly Virchow Krause, LLP for the purchase of Internal Auditing Services in an amount not to exceed \$393,780.00 (Order Against CMS Master Contract).*

Upon conclusion of the item presentation, Committee Chair Gallagher called for a motion to approve placement of **Internal Audit Item 1** on the April Board of Directors meeting agenda with the Committee's recommendation for approval by the Board. Director Paddock made a motion to approve this item, 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 Paddock, Director Perinar, Director Connolly, Committee Chair Gallagher (4)

Nays: (0)

The motion PASSED.

**Adjournment**

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

Nays: (0)

The motion PASSED.

The meeting was adjourned at approximately 10:24 a.m.

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

Christi Regnery  
Board Secretary  
Illinois State Toll Highway Authority



# INTERNAL AUDIT

## *External Audit Results*

Shaun Farmer, Chief Internal Auditor  
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/EXTERNAL AUDITOR RELATIONSHIP

**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**

# EXTERNAL AUDITOR INDEPENDENCE POLICIES

**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

# FINANCIAL AUDIT OBJECTIVES

## 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
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- *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



# REQUIRED SUPPLEMENTARY INFORMATION

## **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**



# ENGAGEMENT ADMINISTRATION

## 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

# 2019 EXTERNAL AUDIT REPORT HIGHLIGHTS

## 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



# 2019 EXTERNAL AUDIT REPORT HIGHLIGHTS

## 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



# EXTERNAL AUDIT FINDINGS

## 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

FINDING NUMBER	FINDING TITLE	FINDING RATING	
		MATERIAL WEAKNESS	SIGNIFICANT DEFICIENCY
2019-001	Consistent and timely retention of I-9 Forms		X
2019-002	Consistent approval of time cards		X
2019-003	Electric vehicle charging station installation		X
2019-004	Consistent and timely response to Inspector General Report		X
2019-005	Consistent and timely payment of vendor invoices		X

THANK YOU

