Darleen Mazzillo

From: Tecau, Jeffrey (10080) <Jeffrey.Tecau@protiviti.com>
Sent: Tuesday, August 26, 2014 11:36 AM
To: Darleen Mazzillo
Cc: Taylor, David J. (10080); Fretwell, Phillip (10080); Laura Kelley; Joe Passiatore
Subject: CFX Board Meeting - 9/11/14 - Internal Audit Matters
Attachments: 2015 CFX Internal Audit Plan.pdf

Hi Darleen:

After speaking with Laura, would you please include the following agenda item for the September 11, 2014 Board meeting?

Internal Audit Matters -Phil Fretwell and David Taylor, Protiviti

1. Fiscal 2015 Internal Audit Plan – Action Item
2. Sensitive Data Audit Report – Action Item
3. Business Impact Analysis Report – Action Item

The Fiscal 2015 Internal Audit Plan is attached. The Sensitive Data Report and Business Impact Analysis Report have been marked exempt from public disclosure. I will send you a memo in a separate email to include in the Board package for these two reports. David Taylor will send the final versions of these reports directly to Laura. These reports will be shared with the Board during the Board briefing and subsequently collected, and shared again during the Board meeting and subsequently collected.

Thanks,
Jeff

Darleen Mazzillo

From: Tecau, Jeffrey (10080) <Jeffrey.Tecau@protiviti.com>
Sent: Tuesday, August 26, 2014 11:49 AM
To: Darleen Mazzillo
Cc: Fretwell, Phillip (10080); Taylor, David J. (10080); Laura Kelley; Joe Passiatore
Subject: CFX Board Meeting - 9/11/14 - Internal Audit Matters - EXEMPT Reports

Hi Darleen:

Would you please include this memorandum with the agenda for the September 11, 2014 Board of Directors meeting.

Under our contract to provide Internal Audit Services to the Central Florida Expressway Authority, we have recently completed the following projects:

(1) Sensitive Data Review
(2) Business Impact Analysis

Each of these reports contains the following legend:

"This document is exempt from public records disclosure pursuant to F.S. 282.318. It shall not be copied or distributed in any manner. It may not be inspected or reviewed by any persons other than those authorized by CFX to receive it. Upon conclusion of review, those persons authorize shall return the document to the CFX Internal Auditor."

We reviewed these reports with the CFX Audit Committee on August 21, 2014, and each was accepted by that committee for filing.

Thank You,
Jeff

Jeff Tecau | Protiviti | Director | 301 E Pine St, Suite 225 | Orlando, FL 32801
W: 407.849.3921 | C: 407.758.4847 | eFax: 407.849.3990 | Email: jeffrey.tecau@protiviti.com

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Central Florida Expressway Authority

Internal Audit Plan
For the Fiscal Year Ending June 30, 2015

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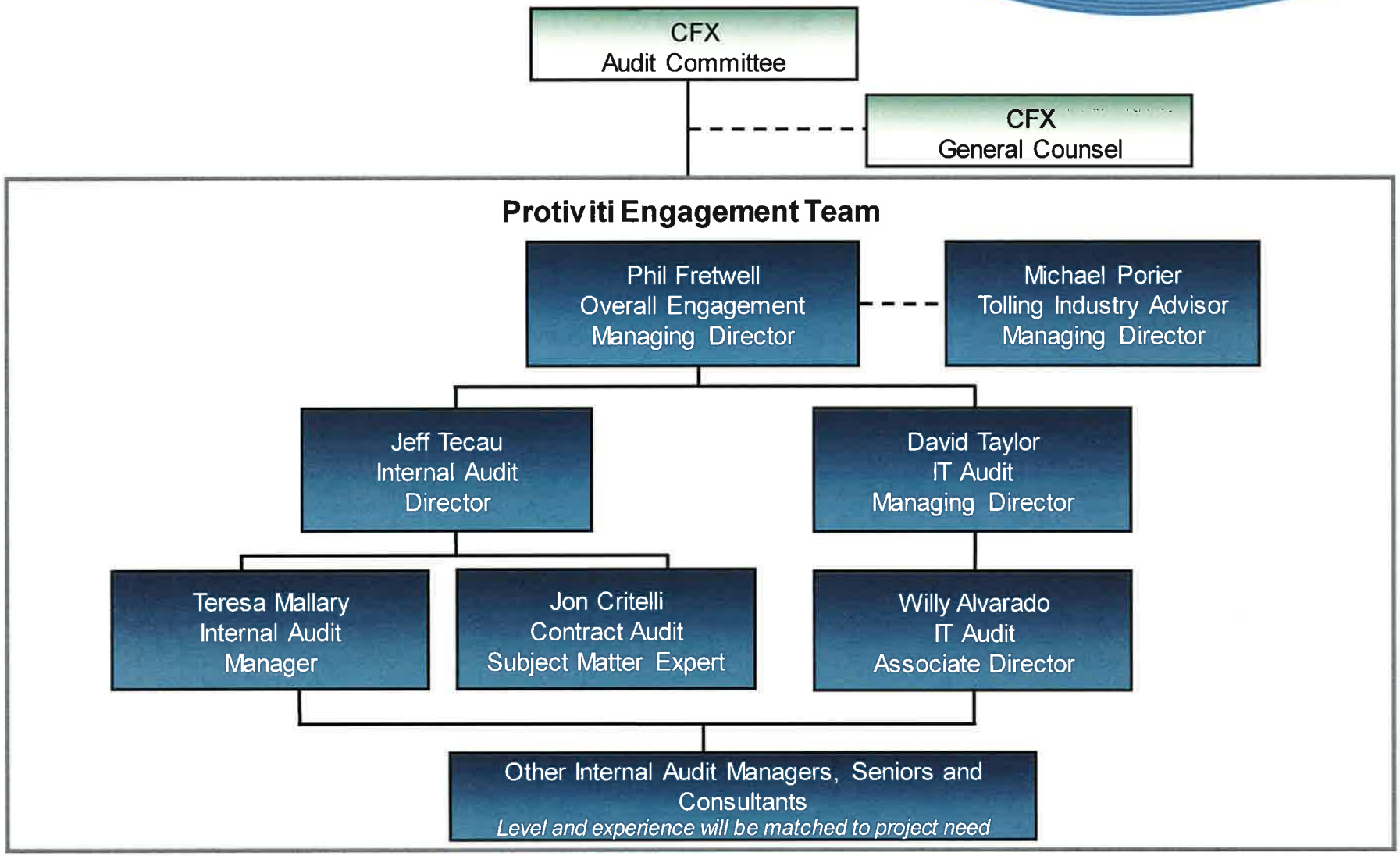
Your Internal Audit Team



This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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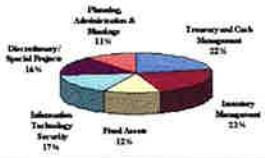
Background

Risk assessment is a critical element of a high-quality Internal Audit department's responsibility and provides the opportunity to be "front and center" with senior leadership as a strategic partner in the review and management of key business risks. The objective of the fiscal 2015 risk assessment was to identify and prioritize key areas of risk within the Authority to consider in designing the fiscal 2015 Internal Audit plan. The approach utilized in conducting the fiscal 2015 risk assessment and in developing the fiscal 2015 Internal Audit plan is depicted below:

	**Identify Key Areas of Risk to be Assessed**	-Confirm and update prior year risk areas based upon review of prior year work papers, audit results, and discussions with senior management and the Board -Determine preliminary risk ratings based upon prior year results -Review areas of potential fraud risk as identified in prior years
	**Assess & Prioritize Areas of Risk**	-Conduct interviews with management to confirm and validate the current enterprise risk model and the identified fraud risks and to gain additional insight around risk trending -Aggregate and compile resulting information -Provide a graphical representation of enterprise risks on a risk heat map to prioritize areas of risk
	**Select Focus Areas**	- Evaluate the prioritized enterprise risks and management commentary to determine Internal Audit focus areas for 2015 - Develop and define a preliminary listing of proposed Internal Audit projects to address the areas of focus
	**Develop & Approve Audit Plan**	-Establish high-level scoping statements and levels of effort for proposed projects -Finalize budget allotments and propose projects for Audit Committee approval -Finalize proposed timing for selected projects -Finalize Internal Audit plan and obtain Audit Committee approval

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Interview List

The following fifteen (15) members of management and key vendors were interviewed to gather information for the fiscal year 2015 Internal Audit plan:

Name	Title
Joe Berenis	Deputy Executive Director
Laura Kelley	Deputy Executive Director
Joe Passiatore	General Counsel
Lisa Lumbard	Interim Chief Financial Officer
Claude Miller	Director of Procurement
Joann Chizlett	Director of Information Technology
Ben Dreiling	Director of Construction

Name	Title
Neel Long	Director of Human Resources
Corey Quinn	Director of Expressway Operations
Glenn Pressimone	Project Manager, Engineering
Iranetta Dennis	Director of Development
Michelle Maikisch	Manager of PR and Communications
David Wynne	Manager of Toll Operations
Rene Rodrigue	Information Security Manager
Dan Goff	Vendor; FTS Project Manager

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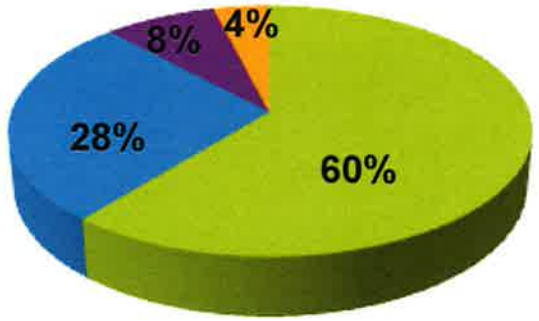
Fiscal 2015 Internal Audit Plan Overview

The Authority's fiscal 2015 Internal Audit budget is $389,000, including the PCI Assessment of $65,100. The projects approved by the Audit Committee for inclusion in the 2015 plan are consistent with the budget. The project allocation, by type of Internal Audit project, is as follows:

	Budget Allocation	Frequency
Performance and Compliance		
- Prior Audit Recommendations: Semi-Annual Follow-up	$18,000	Annual
- Contract Billing Audits	$30,000	Annual
- Ethics Policy Compliance Audit	$39,000	5 Year Cycle
- 2013 COSO Framework Governance Review	$25,000	One Time
- All Aboard Florida Review	$31,900	One Time
- Back Office Customer Contact Center Review	$50,000	One Time
Information Technology		
- DHSMV Data Security Assessment	$25,000	Annual
- PCI 3.0 Gap Assessment	$20,000	One time
- ITS Security Review	$45,000	One Time
Other		
- Fiscal 2016 Internal Audit Plan and Risk Assessment	$25,000	Annual
Administration		
- Board and Audit Committee Meetings	$15,000	Annual
Total Internal Audit Budget	**$323,900**	
PCI Assessment with Report on Compliance*	$65,100 *	Annual
GRAND TOTAL	**$389,000**	



* The PCI Assessment is a separate contract and is not included in the Internal Audit contract

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3 Year Internal Audit Projects Schedule

Description	Frequency	Date Last Performed	Audit Plan Year 2015	2016	2017
Annual Internal Audits					
Internal Audit Plan and Risk Assessment	Annual	2014	$ 25,000	$ 25,000	$ 25,000
Board and Audit Committee Meetings	Annual	2014	$ 15,000	$ 15,000	$ 15,000
Prior Year Recommendations: Semi-Annual Follow-up	Annual	2014	$ 18,000	$ 18,000	$ 18,000
Contract Billing Audits	Annual	2014	$ 30,000	$ 30,000	$ 30,000
DHSMV Data Security Assessment	Annual	2014	$ 25,000	$ 25,000	$ 25,000
		Total	$ 113,000	$ 113,000	$ 113,000
PCI Assessment					
PCI Assessment with Report on Compliance	Annual	2014	$ 65,100	$ 65,100	$ 65,100
Cyclical Audits					
Ethics Policy Compliance Audit (including SB230 review)	5 Year Cycle	2010	$ 39,000		
Purchasing Spend Data Audit	5 Year Cycle	2010			X
Accounting System Access and SOD Review	5 Year Cycle	2011		X	
Human Resources Process Review	5 Year Cycle	2011			X
Right of Way Audit	5 Year Cycle	2012			X
Toll Violations Audit	3 Year Cycle	2012		X	
Toll Revenue Audit	3 Year Cycle	2013		X	
Procurement Audit of Large Contract Awards	3 Year Cycle	2013			X
IT General Controls Review	3 Year Cycle	N/A			X
Document Retention and Records Management Audit	3 Year Cycle	N/A			X
Sensitive Data / Data Management Review	3 Year Cycle	2014			
Maintenance and Safety Plan Compliance Audit	3 Year Cycle	2014			
Social Media Policy Audit	3 Year Cycle	N/A			X
Disaster Recovery Review	3 Year Cycle	N/A		X	
One Time Audits					
2013 COSO Framework Governance Review	One Time	N/A	$ 25,000		
All Aboard Florida Review	One Time	N/A	$ 31,900		
Back Office Customer Contact Center Review	One Time	N/A	$ 50,000		
PCI 3.0 Gap Assessment	One Time	N/A	$ 20,000		
ITS Security Review	One Time	N/A	$ 45,000		
PCI Risk Assessment	One Time	N/A		X	
Internal Penetration Test	One Time	N/A		X	
Tolling System Replacement Implementation Review	One Time	N/A		X	
Communications Program Review	One Time	N/A		X	
Capital Projects Consultant Review	One Time	N/A		X	
IT Service Management Review	One Time	N/A		X	
		Grand Total	$ 389,000	$ 113,000	$ 113,000

This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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Fiscal 2015 Internal Audit Projects

#	Project	Project Description	Risks	Estimated Cost
1	**Fiscal 2016 Internal Audit Plan and Risk Assessment**	We will conduct a risk assessment to highlight the Authority's current year risk profile, to identify risk trends, and to form the foundation for the fiscal year 2015/2016 Internal Audit Plan. In addition, we will conduct the annual review of the completeness of the fraud risk universe and annual refresh of the fraud risk assessment. The information and findings will be utilized to develop the 2015/2016 Internal Audit plan, with a focus on addressing opportunities identified during the risk assessment process.	Strategic Planning Fraud	$25,000
2	**Board and Audit Committee Meetings**	Protiviti will attend Board meetings and prepare for and present at all Audit Committee meetings during fiscal year 2015. This includes document preparation time and preparation time with management and the Audit Committee in advance of meetings.	N/A	$15,000
3	**Prior Audit Recommendations: Semi-Annual Follow-up**	This work will focus on semi-annual follow-up on the status of all OPEN action plans from prior year audits. In addition, internal audit will consider re-auditing closed recommendations for selected areas from prior year audits as requested by management or the Audit Committee.	Various	$18,000
4	**Contract Billing Audits**	This audit will encompass a selection of 2 or 3 large engineering, construction, maintenance, operations, or legal contracts on an annual, rotational basis, with the objective of verifying that internal controls are in place to ensure work performed for the Authority under large contracts has been billed in accordance with contractual terms and conditions. The work will include testing pricing and hours worked for accuracy and validity, testing invoice approvals, testing vendor compliance with other contractual obligations, using data analytics to identify high risk vendors and/or change orders, and trending key spend data and other data points for management review and consideration.	Contract Management Contract Performance Reporting Cost Containment Procurement and Vendor Selection	$30,000
5	**DHSMV Data Security Assessment**	The objective of this assessment is to review internal controls for gaps in design related to the requirements set forth in the DHSMV Drivers License or Motor Vehicle Record Data Exchange Memorandum of Understanding (MOU), Section V – Safeguarding Information.	IT Security	$25,000
6	**Ethics Policy Compliance Review**	CFX has a formal ethics policy in place and will update it to incorporate new ethics language imposed by Florida state legislation. Later in the year, Internal Audit will review the policy and (1) leverage leading practices to suggest additional areas for consideration to include in the policy and (2) review compliance with the policy, including the new provisions added as a result of Florida state legislation.	Ethical Behavior Financial Reporting	$39,000

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Fiscal 2015 Internal Audit Projects

#	Project	Project Description	Risks	Estimated Cost
7	**2013 COSO Framework Governance Review**	The *Committee of Sponsoring Organizations* of the Treadway Commission (***COSO***) is a voluntary private sector initiative dedicated to improving organizational performance and governance through effective internal control, enterprise risk management, and fraud deterrence. On May 14, 2013, COSO released an updated version of its Internal Control—Integrated Framework. SEC registrants subject to Sarbanes-Oxley requirements are converting to the new framework by December 15, 2014. The objective of this review will be to leverage the newly issued 2013 COSO framework and related points of focus to review CFX's governance level internal controls for gaps to leading practices.	Governance Ethical Behavior	$25,000
8	**All Aboard Florida Review**	The objective of this project will be to review the background of CFX's commitments to All Aboard Florida to outline CFX's obligations, future exposures, expected spend, necessary contracting, and potential land acquisitions associated with the project.	Strategic Planning Access to Capital Political Environment Cost Containment	$31,900
9	**Back Office Customer Contact Center Review**	With the existing delay of a back office consolidation of the customer contact center, Protiviti subject matter experts will conduct a performance review of the existing customer contact center operation, with a focus on risks around the efficiency and effectiveness of operations, to provide the Authority with opportunity to consider risks, results, or leading practices to put into place during the interim or to consider during an eventual move to back office consolidation. This review may entail (1) Organizational Analysis (interviews, training and quality assurance, evaluation of 3rd-party vendors/suppliers, and staffing / scheduling), (2) Detailed Contact Analysis (to collect a statistically valid sampling of calls through a combination of direct, side-by-side call observation and analysis of recorded calls to review call processing, applications used, how effectively technology and call processing is applied, what issues the agents typically face during the progress of a call, and how effectively customers are served), (3) Technology / Infrastructure Application Review, and (4) Statistical Analysis to extrapolate call handling costs and related performance.	Back Office Consolidation Cost Containment Customer Satisfaction	$50,000

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Fiscal 2015 Internal Audit Projects

#	Project	Project Description	Risks	Estimated Cost
10	**ITS Security Review**	Protiviti will conduct an system security review of Intelligent Transportation Systems. This review will include an assessment of access controls, hardening procedures, patching processes, and remote connectivity of ITS systems to identify security risks that exist in the ITS network.	IT Security	$45,000
11	**PCI 3.0 Gap Assessment**	Protiviti will conduct a gap assessment to identify new items that must be addressed to maintain compliance with the PCI DSS under version 3.0.	IT Security	$20,000

Fiscal 2015 PCI Assessment

#	Project	Project Description	Risks	Estimated Cost
1	**PCI Assessment with Report on Compliance**	This project will be to fully test the Authority's compliance with the PCI Data Security Standard, (PCI-DSS) version 3.0 and issue a Report on Compliance (ROC). The testing will cover all twelve sections of the PCI-DSS.	IT Security	$65,100

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Other Potential Internal Audit Projects Not Included in the FY15 Internal Audit Plan

#	Project	Project Description	Risk	Estimated Cost
1	**Procurement Audit of Large Contract Awards**	This audit will encompass a selection of large engineering and construction contract awards. The work will include testing the awarding process of contacts that are not "low bid" awards, and evaluating the process for short-listing vendors and for scoring proposals. We will review the bid packages and awarding criteria for contracts selected for audit and verify there is proper justification for each award. We will also review for any evidence of excessive vendor preference.	Procurement and Vendor Selection Fraud	$35,000
2	**Toll Violations Audit**	This audit will focus on reviewing the processes, policies, procedures, technology, and reporting in place around the violations process to verify the process is working as intended. Focus will be on enhancing the efficiencies around the process to review violations and to bill and collect violations revenue. Samples of deleted / voided unpaid toll notices will also be reviewed to verify there is sufficient justification for voiding.	Toll Violations	$45,000
3	**Toll Revenue Audit**	This audit will focus on cash toll collections and electronic tolling collections, with the objectives to review (1) controls exist to ensure revenue data captured at the point of origin is completely and accurately recorded to the financial statements, (2) physical safeguarding controls exist around cash (including the use of security and surveillance, data analytics, monitoring and reporting, and counts / other reconciling activities), (3) controls in place around processing revenue adjustments to customer accounts are operating according to policy, and (4) appropriate monitoring and measurements are in place to review toll revenue. Additionally, IT general controls around supporting systems and information technology will be reviewed.	Toll Collections Cash Handling	$75,000
4	**Purchasing Spend Data Audit**	This review will focus on a 100% interrogation of spending data over a 3 year history to identify opportunities for recovery such as vendor overpayments, unused vendor credits, etc. We will use our proprietary tools to review the Authority's detailed spend data for areas of leakage and audit against contracts and other available information as red flags are identified. As a side benefit to any actual recoveries, we will also focus on identifying potential frauds, root causes and process improvement opportunities.	Cost Containment Fraud Procurement	$50,000
5	**Capital Projects Consultant Review**	The objective of this review is to analyze the key construction and engineering processes performed by third-party engineering consulting firms in support of large capital projects. We will utilize the Project Management Body of Knowledge as the framework to identify and assess key processes performed by third-party engineering consulting firms related to project scope, time, cost, quality, communications, and risk management. We will identify current controls within the various processes and test key controls for operating effectiveness. We will also identify potential control gaps within the processes and work with management to develop recommendations and next steps to address the control gaps.	Contract Management Contract Performance Reporting	$45,000

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Other Potential Internal Audit Projects Not Included in the FY15 Internal Audit Plan

#	Project	Project Description	Risk	Estimated Cost
6	**Document Retention and Records Management Audit**	The Authority is in process of implementing an updated document retention and records management policy. This review will focus on the Authority's processes and policies in place around records management and to comply with public records laws. Additionally, we will review documentation retention schedules specific to document classification (different types must be kept for a different lengths of time) for consistency with rules established by the Florida Secretary of State.	Records Management	$30,000
7	**Right of Way Audit**	This audit will encompass reviewing the Authority's right of way process every 5 years, including right of way acquisitions through negotiated settlement and acquisitions through the use of eminent domain. Potential areas of review around right of way acquisitions include property owner notification, business owner notification, offers, good faith negotiations, suits, agreements, closings, and settlement. Areas of review regarding potential use of eminent domain include legal settlement, mediated settlement, fees and costs, preparation of lawsuits and petitions, timing, business damage claims and costs.	Cost Containment Public Relations Records Management	$50,000
8	**Accounting System Access and Segregation of Duties Review**	The financial close and related accounting processes will be reviewed for appropriate segregation of duties among Authority personnel. Protiviti-developed tools will be leveraged to verify segregation for each key accounting cycle around the following: Physical custody of assets, adjustments to accounting records, approvals of accounting transactions, and review responsibilities. In addition, we will also review access rights within the Eden financial package to verify system access restrictions appropriately support segregation of duties and to identify segregation of duties conflicts within the system. We will recommend compensating monitoring controls to the extent necessary.	Financial Reporting Fraud	$20,000
9	**Disaster Recovery Review**	This review will focus on the IT Disaster Recovery plans, including existing policies and procedures. The review will include an assessment of the documented plans as well as the foundational efforts that were performed to create them (such as a Business Impact Analysis).	Business Continuity	$35,000

This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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Other Potential Internal Audit Projects Not Included in the FY15 Internal Audit Plan

#	Project	Project Description	Risk	Estimated Cost
10	**Social Media Policy Audit**	The purpose of this audit is to review the Authority's social media program, with a focus on how social media is utilized within the Authority for marketing purposes, how it is being used to enhance customer service (customers) , and how social media use by employees and is monitored by the Authority for compliance (employees). Recommendations around enhancing the Authority's social media policy and process will be made around key risk exposures. Finally, testing will be perform for key controls in place.	Communications	$30,000
11	**Communications Program Review**	Leverage Protiviti subject matter experts to review the Authority's communications program to create brand awareness, training and onboarding for new Board members, and enhance the overall rebranding efforts. Leading practice ideas for improving communications and marketing will be shared as appropriate.	Communications	$30,000
12	**IT Service Management Review**	This review will focus on IT operational effectiveness and entail the following: (1) Processes for receiving, responding to and prioritizing requests for work; (2) Program and project management procedures and governance entities; (3) Review of overall roles and responsibilities for alignment with technology strategy and business objectives; (4) Review of IT service management procedures (potentially using ITIL); (5) Analyze the procedures for communication and transparency of IT projects and effectiveness; (6) Compare with leading practices, evaluate maturity, and provide specific recommendations for effectiveness/ efficiency.	IT Infrastructure IT Applications Strategic Planning Communication	$50,000
13	**PCI Risk Assessment**	PCI requirement 12 states that organizations must implement a risk assessment process that is performed annually, identifies critical assets (and their corresponding threats and vulnerabilities), and results in a formal risk assessment. Protiviti will conduct a risk assessment for CFX of CFX's IT environment that will identify asset groupings within the PCI environment and assign them a value. This value is based on the likelihood and potential impact of threats posed to these assets, the vulnerabilities they have, and the safeguards surrounding them. Assets with higher values have higher risks, and can help prioritize actions through PCI compliance efforts.	IT Security	$65,000
14	**Internal Penetration Test**	Protiviti will assess the security of internal networks, devices, and servers as part of an internal penetration test. This test will identify risks to those networks, devices, and servers posed by outdated software, missing patches, or insecure configurations. Attempts will then be made to exploit these vulnerabilities with manual techniques.	IT Security	$25,000

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Other Potential Internal Audit Projects Not Included in the FY15 Internal Audit Plan

#	Project	Project Description	Risks	Estimated Cost
15	**Tolling System Replacement Implementation Review**	The Authority will replace all roadside equipment, toll plaza imaging system s and host database at the toll plazas during FY15. This audit will focus on evaluating the Authority procedures for monitoring and identifying potentially revenue loss that may occur during the implementation of the tolling system replacement project and identify potential revenue collections from the vendor.	Toll Collections	$35,000
16	**ISO 27001 Information Security Review**	This review will compare CFX's information security practices and procedures to the ISO 27001 framework. This framework is widely recognized as the benchmark for assessing / creating overall information security programs. Protiviti will utilize an adapted version of the Carnegie Mellon Capability Maturity Model (CMM) to report on the results. The CMM helps to identify critical areas that must be addressed before an organization can progress to a more mature state.	IT Security	$45,000

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Internal Audit Timeline

Selected Audits

1. Fiscal 2016 Internal Audit Plan and Risk Assessment
2. Prior Audit Recommendations: Semi-Annual Follow-Up
3. Contract Billing Audits
4. DHSMV Data Security Assessment
5. Ethics Policy Compliance Review
6. 2013 COSO Framework Governance Review
7. All Aboard Florida Review *
8. Back Office Customer Contact Center Review
9. ITS System Security Review
10. PCI 3.0 Gap Assessment

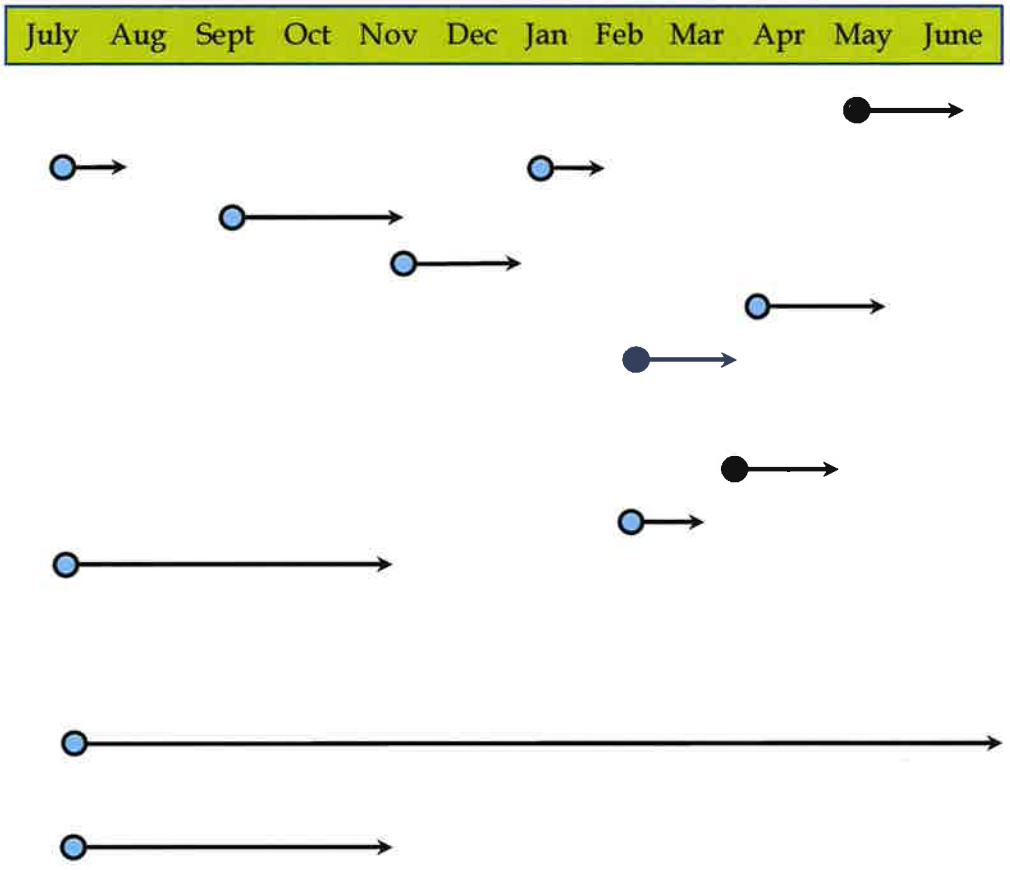
Administration

11. Board and Audit Committee Meetings

PCI Assessment

12. PCI Assessment with Report on Compliance

FY 2015 Estimated Project Timeline



* Timing subject to approval by the Audit Committee

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Appendix A
Internal Audit Charter

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Internal Audit Charter

Central Florida Expressway Authority
Fiscal 2015 Internal Audit Department Charter

MISSION

The mission of the internal audit department is to provide the Authority Board with unbiased, objective assessments of whether Expressway resources are responsibly and effectively managed to achieve intended results.

PURPOSE

Internal audit's purpose is to add value, improve operations, and enhance transparency. It helps the Expressway accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

INDEPENDENCE

The Internal Auditor Director is appointed by the Expressway Authority Board, and reports to them through the Audit Committee. The role of the Internal Audit Director may be filled by an outside firm that provides internal audit services to the Expressway Authority on an outsourced basis. For administrative purposes, the Internal Audit Director reports to the General Counsel. To ensure independence, the internal audit function has no direct responsibility or any authority over any of the activities or operation of the Expressway.

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Internal Audit Charter

AUTHORITY

Everything the Expressway Authority does is subject to assessment by internal audit. Internal Audit shall have full, free, and unrestricted access to all activities, records, properties and personnel. The Internal Audit Director shall have direct and independent access to members of the Audit Committee. The internal audit department is authorized to allocate resources, set frequencies, select subjects, determine scopes of work for projects as approved by the Audit Committee, and apply the techniques required to accomplish audit objectives. In addition, the Internal Audit Director may obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization, as approved by the Audit Committee.

SCOPE

Management is responsible for establishing and maintaining risk management, control, and governance processes. The scope of work of internal audit is to determine whether management's processes are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is relevant, reliable and understandable.
- Employee actions comply with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in control processes.
- Significant legislative or regulatory issues are recognized and addressed properly.

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Internal Audit Charter

RESPONSIBILITY

The internal audit department's responsibility includes, but is not limited to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Establish a quality assurance program by which the Internal Audit Director assures the operation of internal auditing activities.
- Perform consulting services, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- Issue periodic reports to the Audit Committee and management summarizing results of audit activities as well as results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

Internal Audit Charter

STANDARDS

Internal audit shall comply with the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. Consistent with the IIA Standards, internal audit recognizes the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the IIA Standards.

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Appendix B
Enterprise Risk Assessment

This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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Enterprise Risk Assessment

To assist with the development of the fiscal 2015 Internal Audit Plan, Internal Audit used prior years' risk models and risk trending data as the starting point for discussions with management. Internal Audit asked management to consider the current business environment, critical business initiatives, and prior year audit results to provide input on which risks warranted the most focus in today's environment. In addition, management was asked to identify any new risks that may not have been considered in past years for inclusion in the current risk model.

Internal Audit utilized the aggregated input obtained during interviews with management and from risk surveys of management to develop a list of potential internal audit projects for fiscal 2015, with the objective being to help the Audit Committee and management mitigate areas of highest residual risk, monitor areas of high inherent risk, or to mitigate areas where risks are trending higher.

Risk is defined as follows:

Risk:

- Is the possibility of an event occurring that will have a negative impact on the achievement of goals and objectives and could also include the cost of missing an opportunity.

Inherent Risk:

- Is the amount of risk to the business given the environment in which it operates, without considering the application of controls. The risks identified on the following page represent the risk areas deemed most important for the Authority to manage and control in order to achieve its goals and objectives.

Residual Risk:

- Is the amount of risk remaining after the application of management controls. Residual risk was judgmentally considered for purposes of this fiscal 2014 audit plan in the selection of potential projects for inclusion in the plan. The results of the residual risk assessment are depicted via the Enterprise Risk Map on the following pages.

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CFX Risk Model

Strategic Execution	- Strategic Planning*	- Organization Structure*	- Succession Planning*
	- Regulatory Changes^	- Statewide Interoperability	- Access to Capital
	- Governance*^	- Political Environment	- Ethical Behavior*^
	- Communication	- Leadership	- Outsourcing*
	- Back Office Consolidation*	- National Interoperability	- Toll Rate Management
Financial Reporting	- Financial Reporting*	- Contract Performance Reporting*^	
	- Cost Containment*^	- Procurement and Vendor Selection*^	
	- Budgeting	- Management Performance Reporting*	
	- Fraud*^	- Cash Handling*	
	- Bond Financing / Covenant Compliance	- Treasury and Liquidity Management	
Operational Execution	- Toll Violations*	- IT Infrastructure* / Business Continuity*	
	- Toll Collections*	- IT Security*^	
	- IT Applications*	- IT Change Management*	
	- Human Resources*	- Insurance Coverage	
	- Public Relations*	- Customer Satisfaction	
Regulatory / Compliance	- Maintenance & Safety*	- Contract Management*^	

- Represents risks addressed by internal audits conducted during fiscal years 2009 – 2014.
- ^ Represents areas to be addressed by Fiscal 2015 Internal Audit projects

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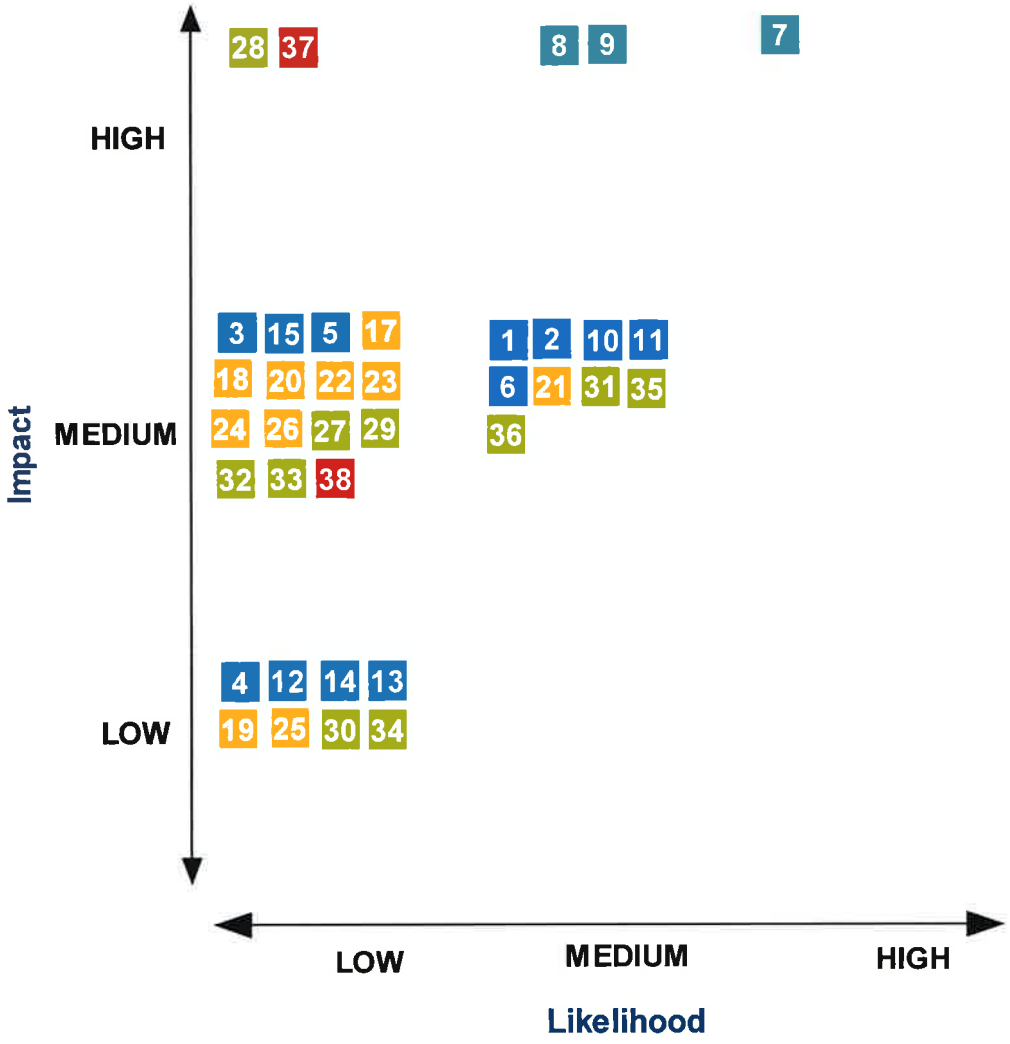
Enterprise Risk Map – Residual Risk



STRATEGIC EXECUTION

1	Strategic Planning
2	Organization Structure
3	Succession Planning
4	Regulatory Changes
5	Access to Capital
6	Statewide Interoperability
7	Governance
8	Political Environment
9	Ethical Behavior
10	Communication
11	Leadership
12	Outsourcing
13	Toll Rate Management
14	Back Office Consolidation
15	National Interoperability

OPERATIONAL EXECUTION

27	Toll Violations
28	Toll Collections
29	IT Application Controls
30	Human Resources
31	IT Infrastructure/ Business Continuity
32	IT Security and Access
33	IT Change Management
34	Insurance Coverage
35	Public Relations
36	Customer Satisfaction

REGULATORY/ COMPLIANCE

37	Contract Management
38	Maintenance and Safety

FINANCIAL REPORTING

17	Bond Financing / Covenant Compliance
18	Fraud
19	Management Performance Reporting
20	Budgeting
21	Cost Containment
22	Treasury and Liquidity Management
23	Cash Handling
24	Procurement and Vendor Selection
25	Contract Performance Reporting
26	Financial Reporting

*The enterprise risk rankings above are based on management's evaluation.

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Risks Not Addressed through Internal Audit

Risk	Controls and/or Oversight outside of Internal Audit	Audit Committee Evaluation of Additional required Internal Audit Effort
Communication	Communication risks are principally managed through Board of Directors and Committee oversight.	None – not typically an area that can be addressed by internal audit.
Access to Capital	Capital has been achieved through bond offerings – see related risks below.	None – not typically an area that can be addressed by internal audit.
Political Environment	The political risks are managed by the Executive Director and frequent communication of issues with the Board and Committees.	None – not typically an area that can be addressed by internal audit.
Leadership	Leadership risks are managed by the Board.	None – not typically an area that can be addressed by internal audit.
Budgeting	Budgeting risks are managed by the Board and Finance Committee, including an annual presentation the budget process results by the CFO.	None – remaining risks are not significant enough to cost justify additional internal audit resources.
Bond Financing / Covenant Compliance	Outside financial advice is provided by third party firms and the external auditor considers covenant compliance in connection with the annual financial statement audit.	None – remaining risks are not significant enough to cost justify additional internal audit resources.
Treasury & Liquidity Management	Treasury and liquidity risks are managed by the CFO with oversight of the Finance Committee.	None – remaining risks are not significant enough to cost justify additional internal audit resources.
Insurance Coverage	An outside advisor was engaged in fiscal year 2013 to provide advice on insurance coverage.	None – remaining risks are not significant enough to cost justify additional internal audit resources.
Toll Rate Management	Toll rate management risks are managed by the Finance Committee	None – remaining risks are not significant enough to cost justify additional internal audit resources.
Statewide Interoperability	Statewide interoperability risks are managed by the Executive Director and overseen by Authority staff.	None – statewide interoperability is heavily impacted by data provided by third parties.
National Interoperability	National interoperability risks are managed by the Executive Director and the Board and Committees.	None – national interoperability requirements have not been defined.

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Appendix C
Fraud Risk Assessment

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Fraud Risk Assessment

In addition to the Enterprise Risk Assessment and in conjunction with the Fiscal 2015 Internal Audit planning process, Internal Audit also executed a fraud risk assessment with the objectives of:

1. Conducting a review of the completeness of the Authority's fraud risk universe and a refresh of the fraud risk assessment last completed during Fiscal year 2014.

2. Identifying key management activities and prior audits that may help reduce exposure to the highest risk fraud scenarios, and

3. Proposing Internal Audits projects as part of this plan that may help reduce exposure to the highest risk fraud scenarios that have not been previously audited within the past 5 years or that do not appear to receive a high amount of attention from management.

Per the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* ("*Standards*") *Standard 2120.A2* reads, "The internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk."

The results of the fraud risk assessment work for the most significant or likely fraud risk scenarios are provided as part of this Appendix.

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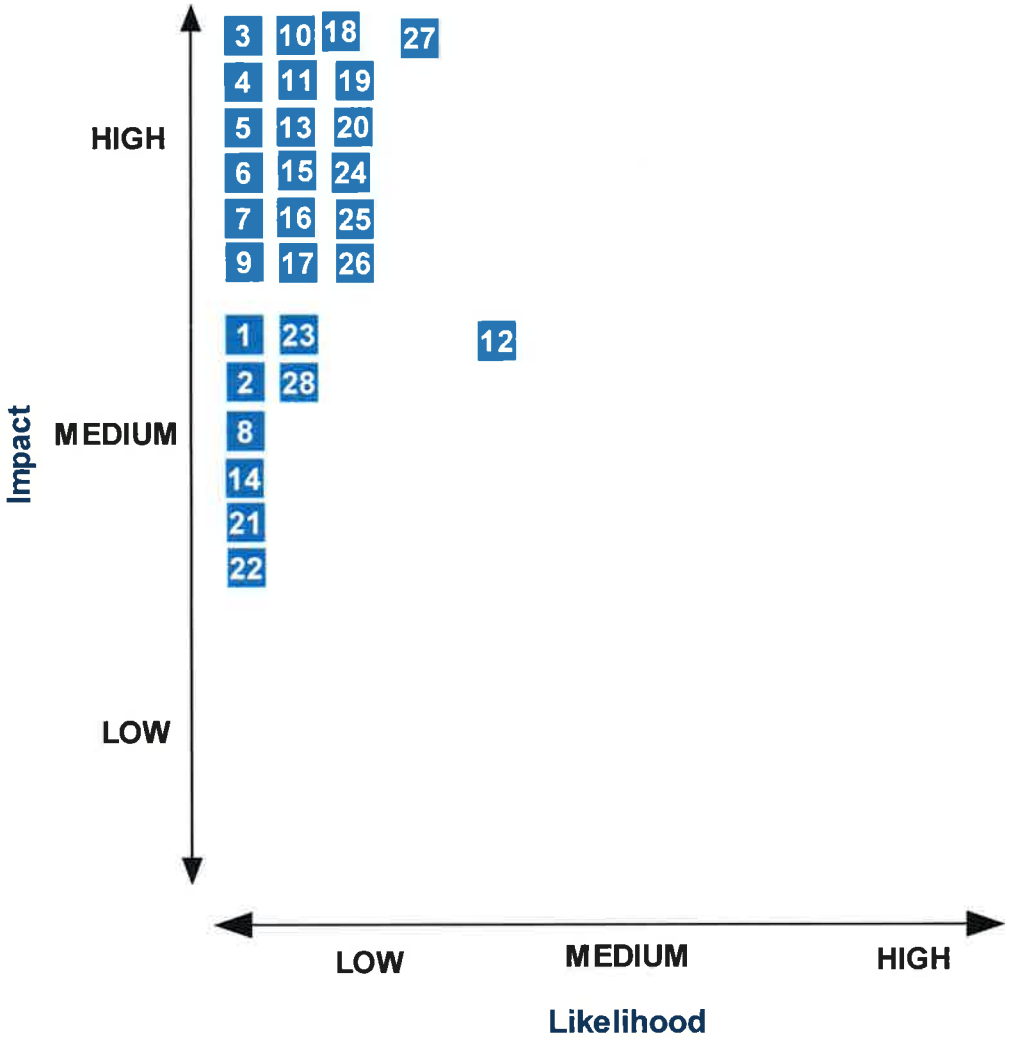
Fraud Risk Map – Residual Risk



FRAUD RISK

Management	
1	Unauthorized / improper use of corporate credit cards / misuse of funds
3	Awarding of work to related parties
4	Bribery / kickback to award bids
5	Management disclosure of confidential information during procurement
6	Theft or misuse of confidential financial information
7	Billing for work not performed or vendor overbillings
9	Circumvention of procurement
10	Selective disclosure to Board or public
18	Earnings management
20	Management override of controls
21	Nepotism
24	Use of confidential information for personal gain
25	Solicitation
26	Price fixing
27	Bid rigging
28	Off contract agreements
Employee	
2	Payment of false invoices / invoices do not match contract terms
13	Misuse of company assets / theft of company assets
14	Falsification of hours worked
15	Unauthorized adjustment of salary / wages
16	Theft / forgery of payroll or blank checks
17	Creation of ghost vendors or employees
19	Manual journal entries
23	Partner billings / payments
Third Party	
8	Adjustment to customer accounts
11	Theft of cash
12	Toll violations
22	Counterfeit cash

***The fraud risk rankings above are based on management's evaluation.**

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Fraud Risk Assessment Results

Risk assessment results and a gap coverage analysis for the highest ranked fraud risk scenarios are depicted below, consideri ng management control activities, prior Internal Audits, and potential next steps / proposed future audits.

Risk #	Fraud Scenario	Relative Rating / Trend	Management Key Activity	Prior Audits	Potential Next Steps / Audits
1	Unauthorized / improper use of corporate credit cards / misuse of funds	High	Procurement policies and procedures are in place.	A. 2010 Purchasing Spend Audit	None
2	Payment of false invoices / invoices do not match contract terms	High	Procurement policies and procedures are in place.	A. 2011, 2012, 2013 and 2014 Contract Audits B. 2011 Vendor Billing Audits C. 2010 Purchasing Spend Audit	2015 Contract Audit
3	Awarding of work to related parties	High	Procurement policies and procedures are in place.	None	None proposed; typically reviewed as part of a whistleblower complaint
4	Bribery / kickback to award bids to Board or Management	High	Procurement policies and procedures are in place. Ethics policy is in place.	A. 2011 and 2013 Procurement Compliance Audit B. 2010 Ethics Policy Compliance Audit C. 2009 Corporate Governance Review	2015 Ethics Policy Compliance Audit 2015 Governance Review
5	Management disclosure of confidential information during procurement	High	Bids / proposals are sealed and opened only after the due date.	A. 2011, 2012, 2013, and 2014 Contract Audits	2015 Contract Audit
6	Theft or misuse of confidential financial information, e.g. credit card numbers, bank account information, etc.	High	Call center employees cannot see customer financial information once it is entered into the system.	A. 2014 Sensitive Data Review B. PCI Assessment with Report on Compliance	2015 PCI Assessment
7	Billing for work not performed or vendor overbillings	High	Invoices are reviewed on multiple levels prior to payment	A. 2011, 2012, 2013 and 2014 Contract Audits B. 2011 Vendor Billing Audits C. 2010 Purchasing Spend Audit	2015 Contract Audit

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Fraud Risk Assessment Results

Risk #	Fraud Scenario	Relative Rating / Trend	Management Key Activity	Prior Audits	Potential Next Steps / Audits
8	Adjustment to customer accounts	High	Outsourced to Third Party	A. 2009 and 2013 Toll Revenue Audit B. 2013 Toll Revenue Audit	None
9	Circumvention of procurement	High	Procurement policies and procedures are in place.	A. 2011 and 2013 Procurement Compliance Audit	None
10	Selective disclosure to Board or public (Intentionally omitting detrimental information, debt covenant violations, ethics violations, etc.)	High	Ethics policy is in place.	A. 2010 Ethics Policy Compliance Audit B. 2009 Corporate Governance Review	2015 Ethics Policy Compliance Audit 2015 Governance Review
11	Theft of cash	High	Reconciliations are performed between cash collected, what the collector's system says should have been collected, and the treadles.	A. 2009 and 2013 Toll Revenue Audit	None
12	Toll violations	Medium	Unpaid Toll Notices are sent to violators	A. 2012 Violations Audit	None
13	Misuse of company assets / theft of company assets	High	Procurement policies and procedures are in place.	None	None; typically reviewed as part of a whistleblower complaint
14	Falsification of hours worked	Medium	Segregation of duties	A. 2011 Human Resources Process Review	None

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Fraud Risk Assessment Results

Risk #	Fraud Scenario	Relative Rating / Trend	Management Key Activity	Prior Audits	Potential Next Steps / Audits
15	Unauthorized adjustment of salary/Wages	High	Segregation of duties	A. 2011 Human Resources Process Review	None
16	Theft/Forgery of payroll or blank checks	High	Segregation of duties	A. 2011 Accounting System and SOD Review	None
17	Creation of ghost vendors or employees	High	Segregation of duties	A. 2011 Accounting System and SOD Review B. 2011 Human Resources Process Review	None
18	Earnings Management	High	Assessment of earnings performed	None	None
19	Manual Journal Entries	High	Segregation of duties	A. 2011 Accounting System Access and SOD Review	None
20	Management override of controls	High	Segregation of duties	None	None; typically reviewed as part of a whistleblower complaint
21	Nepotism	Medium	Human resources policies and procedures are in place.	None	None; typically reviewed as part of a whistleblower complaint
22	Counterfeit cash	Medium	Toll lane detection software	None	None

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Fraud Risk Assessment Results

Risk #	Fraud Scenario	Relative Rating / Trend	Management Key Activity	Prior Audits	Potential Next Steps / Audits
23	Partner billings / payments		Invoices are reviewed on multiple levels prior to payment	A. 2011, 2012, 2013 and 2014 Contract Audits B. 2011 Vendor Billing Audits C. 2010 Purchasing Spend Audit	2015 Contract Audit
24	Use of confidential information for personal gain	High	Conflict of interest policies are in place.	None	None; typically reviewed as part of a whistleblower complaint
25	Solicitation of the Board or Management	High	Ethics policy is in place. Procurement policies and procedures are in place.	A. 2010 Ethics Policy Compliance Audit B. 2009 Corporate Governance Review C. 2011 and 2013 Procurement Compliance Audit	2015 Ethics Policy Compliance Audit 2015 – 2013 COSO Framework Governance Review
26	Price Fixing	High	Procurement policies and procedures are in place.	A. 2011 and 2013 Procurement Compliance Audit	None
27	Bid rigging	High	Bids / proposals are sealed and opened only after the due date.	A. 2011, 2012, 2013 and 2014 Contract Audits B. 2011 and 2013 Procurement Compliance Audit	2015 Contract Audit

This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

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