

February 8, 2000

The regular monthly meeting of the State Internal Audit Advisory Board was held on February 8, 2000, at the Illinois Department of Corrections, Springfield, Illinois. Chair Nancy Hilger called the meeting to order at 9:35 a.m.

Members Present:

Nancy J. Hilger - Chair- Department of Commerce and Community Affairs
Bradley W. Hammond - Department of Natural Resources
Robert Schwarz - Vice Chair - Department of Central Management Services
James S. Reid - Office of the Attorney General
Al DiSilvestro - IL Secretary of State
Barbara Ringler - Office of the Treasurer
Stan Brown - Office of the Comptroller

Members Absent:

Richard O. Traver - University of Illinois
C. William (Bill) Coons - Department of Professional Regulation

Minutes:

The minutes from the January 11, 2000 meeting were reviewed by the Board prior to this meeting. A motion was made by Bob Schwarz to accept amended minutes. This motion was seconded by Jim Reid. All were in favor. No were opposed.

Old Business:

None

New Business:

Update on Peer Review Schedule

Brad Hammond stated that a letter delaying Financial Institution's peer review for one year is prepared and ready for signature. This letter is notifying the agency that their peer review process is being delayed until 2001 due to a vacancy in their Chief Internal Auditor position. Chair Hilger questioned whether an additional agency would be scheduled for peer review this year to fill this vacancy. Brad Hammond stated this will not be filled this year due to the lateness. Chair Hilger stated to Al DiSilvestro, a new member of this Board, that one of the biggest responsibilities this board has is the peer review coordination. A general discussion was held regarding the entire peer review process.

Status of Attorney General Office's Peer Review Report

Brad Hammond stated that the Attorney General Office's peer review report was given to Jim Reid. Jim Reid stated that his workpapers needed to be reviewed and assembled, as well as the report reviewed, by the Report Acceptance Committee. Barb Ringler, a member of the Report Acceptance Committee, questioned whether the report had been drafted, and therefore, only the workpapers needed to be reviewed, assembled, and compared to the report. Chair Hilger confirmed. Chair Hilger stated that the Executive Committee will send out the final report after reviewed and approved. The draft report and workpapers were turned over to Barb Ringler. Chair Hilger stated that the workpapers will be returned to Jim Reid at the Attorney General's Office after the workpapers and report have been reviewed, approved, and issued.

Update on Eastern IL University's (EIU) Peer Review Report

Chair Hilger stated that she located the EIU peer review workpapers, but did not find a draft or final report. A general discussion was held and decided by all members present that since this review was done some time ago, EIU will be re-reviewed in the future.

Future Meeting Locations

Bob Schwarz has a possible new meeting location, but nothing final. He will report any updates at the March meeting. Chair Hilger stated that this conference room at the Department of Corrections has been reserved for this entire calendar year. A Public Notice will be posted by Chair Hilger at this location. A copy will also be put on the Board's web site.

Follow-Up on Federal Grant for Technical Training

Bob Schwarz stated that he had no updates regarding a Federal grant for technical training for internal auditors.

IIA Petition Response

Chair Hilger contacted the Springfield Chapter of the Institute of Internal Auditors (IIA) regarding a petition that had been circulated stating that internal auditing was a process, and did not necessarily have to be performed by an internal auditor. As per Rusti Cumming, the IIA Springfield Chapter President, this was not an official IIA Chapter petition. Ms. Cummings also stated they are having a Board meeting this week and this petition would be discussed. Chair Hilger informed her that this Board will support them in their decision of how to handle this petition.

Statewide Audit Managers Meeting

Bob Schwarz stated that he is looking at March or April, 2000 as potential months for the upcoming internal auditor managers meeting. He inquired whether there were any dates during these months that were unavailable for any of the Board members. The Board agreed that March would be better. Bob Schwarz will send a list of potential training dates to Brad Hammond to

review. Potential speakers and suggested topics were also discussed. A general discussion was held to inform Al DiSilvestro of what was discussed at previous meetings.

Bob Schwarz stated that he submitted a proposal sometime back to the Springfield Chapter of the IIA to help finance this meeting. He was informed that this will be addressed at their board meeting this week. Bob will provide an update at the March IAAB meeting.

Statewide Single Audit

Brad Hammond stated that the Office of the Auditor General (OAG) conducted an informational session regarding the new Statewide Single Audit process. Chair Hilger stated that the OAG is providing internal control training for Program Managers in March. The individual agencies will then be required to complete their internal control documentation by April, 15th. This can substitute for anything each department does fiscal control certifications for their Federal programs. The OAG has identified, preliminarily, the agencies and the programs to be tested. They will reexamine this list in March and make their final changes. A general discussion was held.

Chair Hilger went over the components of the Statewide Single Audit process listed in the handout provided at this informational session:

Control Environment; Risk Assessment; Control Activities; Information; Communication; Monitoring. She will distribute copies of this handout to the Board members who were unable to attend.

Governors Letter to IAAB

Chair Hilger distributed a packet to each Board member to complete she received from the Governor's Office requesting information on each 1MB member. She asked that these be completed and returned to her ASAP. Chair Hilger will also complete a form for each pending Board nominee to submit with the group packet. She will copy each Board member's form to them when finalized.

On-Line Training Chapter Updates

Chair Hilger received a revised copy of Lesson 5 (Reporting) of the on-line peer review training instrument. She feels some of this wording is inappropriate and confusing in this lesson:

*"When reporting peer review results, team should keep in mind several concerns and responsibilities. First of all, remember that the review is performed as part of the process mandated by the Illinois Statutes. Consequently, accurate and open reporting, without any mental reservations is required. Secondly, you have two major clients: the audit director and the agency head ... "Reportable issues are: (1) noncompliance with professional standards; (2) noncompliance with Fiscal Control and Internal Auditing Act. Reportable issues developed during the peer review **must** be reported to **both** clients. It is inappropriate to "play" the game of downgrading findings to "minor" include their inclusion in the written report. Any claim of activities by the director to satisfy a finding not documented does not constitute evidence that a finding is invalid."*

She feels both statements should be eliminated. All agreed. Chair Hilger asked if anyone had other suggested changes. No one did, but it was mentioned that this instrument is still in the review process.

Code of Ethics

Brad Hammond stated that the law creating this Board makes us responsible for developing a Code of Ethics, which has been done. When this was done by Brad, he basically used the IIA's Code of Ethics, with a few minor adjustments. The IIA has a new proposal for ethics on their web site. He feels that when the IIA officially approves their revised Code of Ethics, this Board may want to also update theirs.

Certified Governmental Accounting Professional (CGAP) Test

Brad Hammond stated that the IIA will be developing their CGAP test. He received a questionnaire asking him what sort of topics he felt should be covered on this test. CGAP will pay \$50 per question. He does not like the format they have chosen. For example, under the "Standards" category, they feel auditors should be proficient in the Standards of the: IIA; and, the International Organization of Supreme Audit Institutions. He feels some of these requirements are fine, but some are not. A general discussion was held.

Brad also mentioned that the classes CGAP offers are very expensive and in locations that are difficult to get approved. Al DiSilvestro commented that most of the agencies are experiencing the same problems in regards to lack of money for training and travel.

Basically, Brad feels this Board needs to encourage someone, from a State agency that has the financial means, to allow him/her to attend these CGAP meeting, and possibly, become a member of this committee. We need to be more involved so that some of our concerns are addressed.

Announcements:

None

Next Meeting:

The next meeting will be held March 14, 2000 at 9:30 a.m. in the regular meeting room at the Illinois Department of Corrections, Springfield, Illinois.

Adjournment:

A motion to adjourn was made by Brad Hammond and seconded by Stan Brown. The meeting was adjourned at 10:45 a.m.