

STATE OF ILLINOIS
INTERNAL AUDIT ADVISORY BOARD

Web Address: [HTTP://SIAAB.AUDITS.UILLINOIS.EDU](http://SIAAB.AUDITS.UILLINOIS.EDU)

MINUTES

Board Meeting – August 9, 2016

1:00 p.m.

CALL TO ORDER

A meeting of the State Internal Audit Advisory Board (SIAAB) was held at the Capital City Center, Room 104, Springfield, Illinois, with video conferencing available at the JRTC, Room 9-036, Chicago, Illinois. The meeting was called to order at 1:02 p.m. by chair Stephen Kirk in Springfield.

ROLL CALL

Members Present/Location:

Stephen Kirk, (Chair), Department of Transportation – Springfield
Tracy Allen (Vice Chair), Office of the Comptroller – Springfield
Debbie Abbott, Central Management Services – Springfield (departed at 1:45p)
Jane Hewitt, Department of Human Services – Springfield (departed at 2:28p)
Stell Mallios, Office of the Secretary of State - Chicago
Leighann Manning, Office of the Treasurer – Springfield
Gary Shadid, Illinois, Department of Agriculture – Springfield
H. Jay Wagner, Office of the Attorney General – Springfield
Julie Zemaitis, University of Illinois – Springfield

Members Absent:

None

Visitors Present:

None

MINUTES

The minutes for the June 14, 2016 SIAAB meeting were amended after a revision to reflect that Northeastern Illinois University (NEIU) and Governor’s State University (GSU) were not yet late on their QARs, and notified SIAAB they would be late; the minutes had errantly cited both as having received late notices. Ms.

Zemaitis made a motion to accept, seconded by Mr. Shadid. The motion passed unanimously, with abstentions from Ms. Abbott, Mr. Allen, and Ms. Manning.

The minutes for the July 12, 2016 SIAAB meeting were accepted as presented. Ms. Zemaitis made a motion to accept, seconded by Mr. Shadid. The motion passed unanimously, with abstentions from Ms. Hewitt, Mr. Allen, and Ms. Manning.

PUBLIC PARTICIPATION

None

REPORTS AND UPDATES

CPE Coordinator

Ms. Zemaitis stated two completed training, and none are pending.

Quality Assurance Coordinator

Mr. Allen presented the following QAR Reports for acceptance:

- Secretary of State – No nonconformance or FCIAA findings. Mr. Allen made a motion, seconded by Ms. Abbott. Motion passed unanimously, with abstentions from Ms. Hewitt and Ms. Mallios.
- Department of Insurance – No nonconformance, FCIAA finding corrected. Mr. Allen made a motion, seconded by Mr. Shadid. Motion passed unanimously, with abstentions from Ms. Hewitt, Mr. Wagner, and Ms. Abbott.

Mr. Allen presented the following team request for approval:

- State Employees Retirement Systems (SERS) – SAIV, Mr. Steve Hayward, Director of Internal Audit for the Universities Retirement System. Mr. Allen made the motion to accept, seconded by Ms. Manning. Motion passed unanimously, with abstentions from Ms. Hewitt.

FOIA Officer

Ms. Manning stated there were no new requests.

Ms. Abbott presented record retention documentation to the chair. Two concerns were addressed. First, Ms. Abbott inquired about Board Makeup, and there was consensus this is documented in the agenda and minutes. Second, Ms. Abbott inquired about authorization to reprint, and Ms. Hewitt stated this is a copyright concern the IIA now addresses on its website. Ms. Abbott motioned to accept the retention procedure, seconded by Mr. Wagner. Motion passed unanimously.

Guidance Coordinator

Mr. Wagner stated there were no new requests for guidance

Mr. Wagner stated he has received some feedback on the draft of #07 – Access and Disclosure of Engagement Reports, which was provided prior to the May 10 meeting. The feedback indicated general acceptance. 07 has been deferred for a few months due to QARs and the matrix revisions taking priority.

Mr. Wagner indicated he and Mr. Kirk collaborated on an inquiry to the IIA regarding our comments letter, a response has been uploaded to SharePoint, and a conference call has been arranged with the IIA for August 15, 2016. Mr. Kirk and Mr. Wagner will participate in the call.

OLD BUSINESS

Financial Reporting Standards Board (FRSB)

Mr. Allen stated the legislation to extend 30 ILCS 30 was signed into law by the Governor. Further, the Board anticipates a meeting in November 2016. Mr. Kirk emphasized that we need to work with FRSB on an alternative to the requirements of the Act.

Attorney General Request

No update.

Fall Conference

Mr. Allen has reached out to the following:

- Office of the Auditor General - Bruce Bullard;
- Kirk Lonbom, CyberSecurity
- Department of Innovation and Technology (DoIT) - Hardik Bhatt
- Secretary of State – Dave Jones, Archives;
- Secretary of State Police – Physical Security and Bomb Threats
- Capitol Police – Physical Security
- Tammy Wyche - IIA American Center for Government Auditing (ACGA)
- Attorney General’s Office – Matt Van Hise, personally identifying information, identity theft

The Central Management Services Emergency Coordinator (Tornado, Earthquake, etc.) was also mentioned as a possible speaker to reach out to.

Mr. Steve Minder has agreed to moderate a staff auditor roundtable. Mr. Allen noted Mr. Minder has also been invited to teach a stand-alone IIA course the afternoon of the final date of the Conference, after the roundtables. Mr. Wagner noted that Mr. Minder is scheduled to return from Arizona in the days prior to the roundtables, and has arranged for Mr. Scott Blankenship to moderate and instruct in the unlikely event his return is delayed.

Mr. Allen motioned to set a price of \$95 for the conference, seconded by Mr. Wagner. Motion passed unanimously.

Quality Assurance Matrix/Process

Ms. Zemaitis presented a revised QAR process and format proposal. Ms. Zemaitis stated the matrix needs to be designed to meet the needs of the diverse agencies in terms of size, scope, number of programs, etc. It needs to be written to provide guidance on how to support conformance to the Standards, but not be so specific as to prescribe the processes internal audit functions must do to conform.

The difference between an interview questionnaire and a survey was discussed and whether they should be required or optional. The IIA QAR Manual recommends sending a survey to audit staff, senior management, and the audit committee. The survey responses are then reviewed and based on responses, interview questions can be tailored. Both the surveys and interviews help determine conformance to independence, objectivity, resourcing, staff skills, awareness of Code of Ethics, etc. It was discussed that the use of surveys be optional and interviews with at least the agency CEO and some audit committee members (if applicable) be required. Examples that can be tailored will be provided as part of the QAR process documents.

Ms. Zemaitis noted feedback to group the steps by testwork rather than by Standard. Ms. Zemaitis noted while it might be more convenient for testing purposes, that this would add another step to map the testwork to the Standard when rendering conclusions, since conclusions are by Standard. Mr. Wagner noted (having recently conducted a QAR) that it is the Standards that are being tested, and while there will be “jumping around” either way, it is his opinion that a conclusion on each standard will be more accurately reached if the testwork is performed in context of the standard, rather than the other way around.

A robust discussion of specific Standards and steps ensued, including but not limited to the following:

Mr. Kirk noted a lot of questions as to “what to look for” come in, and we should try to preempt that where possible. A common comment throughout the document was on one hand providing direction as to what to test and what to look for, and on the other hand not presenting an option as a mandate.

- For example, in AS 1000 and AS 1111, the chief internal auditor is required to confirm independence annually. However, we must be careful that examples of means to conform (charter, annual report, impairment disclosures, etc.) are not misinterpreted as mandatory.

Regarding the steps pertaining to fraud and indicators of fraud (AS 1210), there was a suggestion to combine with the requirement to report to the respective Inspector General. It was further discussed that there are agencies with their own law enforcement, and the Inspector General has delegated certain investigative processes the internal audit functions of those agencies. This was an example of the flexibility that needs to be built into the QAR Matrix to address the varying needs of the agencies.

There was consensus to remove the remove the step under AS 1230 to review performance evaluations, and defer to the educational requirements in the step above.

It was noted that the requirement to look at the agency's ethics-related objectives, programs, and activities should not necessarily be interpreted as a mandate to conduct an audit of the ethics officer functions, as there are other audits that would address this such as whether there is a code of conduct, how ethical tone is communicated throughout the agency, etc. It was also noted that this standard exists regardless of the presence of an ethics officer.

At the end of the document, there was consensus that it is not necessary to assert conformance of each of the individual portions of the code of ethics. Steps to ensure procedures and awareness would be sufficient.

Ms. Zemaitis will provide updated drafts of the QAR documents prior to the September SIAAB meeting for discussion at that meeting.

NEW BUSINESS

Ms. Zemaitis noted that SB2155 has been signed into law, which requires the Auditor General to audit 1/3 of community colleges every year. A determination must be made as to whether community colleges will now be considered state agencies that are covered by SIAAB.

ANNOUNCEMENTS

The next regular meeting is scheduled for September 13, 2016, at 1:00 p.m. The meeting will be at the Capital City Center's Video Conference Room #104, 130 West Mason, Springfield, Illinois. For those attending via video conference in Chicago, Room 9-036 of the JRTC will be reserved.

ADJOURNMENT

A motion to adjourn was made by Mr. Shadid, seconded by Mr. Wagner. Motion carried unanimously. Meeting adjourned at 3:00 p.m.