

1 AN ACT in relation to the fiscal control and internal 53  
 2 auditing of State agencies, repealing the Internal Auditing  
 3 Act. 54

4 Be it enacted by the People of the State of Illinois, 58  
 5 represented in the General Assembly:

6 ARTICLE 1. GENERAL PROVISIONS. 62

7 Section 1001. Short title. This Act may be cited as the 64  
 8 Fiscal Control and Internal Auditing Act. 66

9 Section 1002. Public policy. It is the policy of this 68  
 10 State that the chief executive officer of every State agency 69  
 11 is responsible for effectively and efficiently managing the 70  
 12 agency and establishing and maintaining an effective system 71  
 13 of internal control. 72

14 Section 1003. Definitions. 74

15 (a) "Designated State agencies" include the offices of 76  
 16 the Secretary of State, the State Comptroller, the State 77  
 17 Treasurer, and the Attorney General, the State Board of 78  
 18 Education, the State colleges and universities, the Illinois 79  
 19 Toll Highway Authority, the Illinois Housing Development 80  
 20 Authority, and other State agencies designated by the 81  
 21 Governor under Section 2001.

22 (b) "State agency" means that term as defined in the 84  
 23 Illinois State Auditing Act, as now or hereafter amended,  
 24 except the judicial branch which shall be covered by 85  
 25 subsection (c) of Section 2001 and Section 3004 of this Act. 86

26 (c) "Chief executive officer" includes, respectively, 88  
 27 the Secretary of State, the State Comptroller, the State 89  
 28 Treasurer, the Attorney General, the State Superintendent of 91  
 29 Education, such chief executive officers as are designated by  
 30 the governing board of each State college and university, the 93  
 31 executive director of the Illinois Toll Highway Authority, 94  
 32 and the executive director of the Illinois Housing 96  
 33 Development Authority, as well as the chief executive officer 97

1 of each other State agency. 97

2 ARTICLE 2. INTERNAL AUDITING. 99

3 Section 2001. Program of internal auditing. 101

4 (a) Each designated State agency shall establish a 104

5 full-time program of internal auditing. The Governor shall 106

6 designate State agencies under this Act not later than April

7 1 of each odd numbered year. The designations shall be filed 107

8 with the Index Division of the Office of the Secretary of 109

9 State as a public record. The Legislative Audit Commission 110

10 may make formal recommendations to the Governor that the 111

11 Governor designate other State agencies under this Act.

12 (b) The chief executive officer of a State agency is not 113

13 relieved from the responsibility for maintaining an effective 115

14 internal control system merely because that State agency is 116

15 not designated and required to have a full-time program of 117

16 internal auditing under this Act. Agencies which do not have

17 full-time internal audit programs may have internal audits 118

18 performed by the Department of Central Management Services. 119

19 (c) The Supreme Court will establish by its rulemaking 121

20 authority or by administrative order a full-time program of 122

21 internal auditing of State-funded activities of the judicial 123

22 branch, which is consistent with the intent of this Article. 124

23 Section 2002. Qualifications of chief internal auditor. 126

24 (a) The chief executive officer of each designated State 128

25 agency shall appoint a chief internal auditor with a 129

26 bachelor's degree, who is either: 130

27 (1) a certified internal auditor by examination or a 133

28 certified public accountant and who has at least 4 years 134

29 of progressively responsible professional auditing 135

30 experience; or

31 (2) an auditor with at least 5 years of 138

32 progressively responsible professional auditing

33 experience.

34 (b) The chief internal auditor shall report directly to 140

35 the chief executive officer and shall have direct 142

1 communications with the chief executive officer and the 142  
2 governing board, if applicable, in the exercise of auditing 144  
3 activities. All chief internal auditors and all full-time 145  
4 members of an internal audit staff shall be free of all 146  
5 operational duties.

6 Section 2003. Internal auditing program requirements. 148

7 (a) The chief executive officer of each designated State 150  
8 agency shall ensure that the internal auditing program 152  
9 includes:

10 (1) A two-year plan, identifying audits scheduled 154  
11 for the pending fiscal year, approved by the chief 155  
12 executive officer before the beginning of the fiscal 156  
13 year. By September 30 of each year the chief internal 157  
14 auditor shall submit to the chief executive officer a 158  
15 written report detailing how the audit plan for that year 159  
16 was carried out, the significant findings, and the extent 160  
17 to which recommended changes were implemented. 161

18 (2) Audits of major systems of internal accounting 164  
19 and administrative control conducted on a periodic basis 165  
20 so that all major systems are reviewed at least once 166  
21 every 2 years. The audits must include testing of: 167

22 (A) the obligation, expenditure, receipt, and 169  
23 use of public funds of the State and of funds held 170  
24 in trust to determine whether those activities are 171  
25 in accordance with applicable laws and regulations; 172  
26 and

27 (B) grants received or made by the designated 174  
28 State agency to determine that the grants are 176  
29 monitored, administered, and accounted for in 177  
30 accordance with applicable laws and regulations.

31 (3) Reviews of the design of major new electronic 179  
32 data processing systems and major modifications of those 180  
33 systems before their installation to ensure the systems 181  
34 provide for adequate audit trails and accountability. 182

35 (4) Special audits of operations, procedures, 185

1 programs, electronic data processing systems, and 185  
2 activities as directed by the chief executive officer or 187  
3 by the governing board, if applicable.

4 (b) Each chief internal auditor shall have, in addition 189  
5 to all other powers or duties authorized by law, required by 190  
6 professional ethics or standards, or assigned consistent with 191  
7 this Act, the powers necessary to carry out the duties 193  
8 required by this Act.

9 Section 2004. Consultations by internal auditor. Each 195  
10 chief internal auditor may consult with the Auditor General, 196  
11 the Department of Central Management Services, the Economic 197  
12 and Fiscal Commission, the appropriations committees of the 199  
13 General Assembly, the Bureau of the Budget, or the Internal 200  
14 Audit Advisory Board on matters affecting the duties or 201  
15 responsibilities of the chief internal auditor under this  
16 Act.

17 Section 2005. Internal Audit Advisory Board. 203

18 (a) An 11 member Internal Audit Advisory Board is 205  
19 created.

20 (b) The composition of the Board shall be as follows: 207

21 (1) the chief internal auditor of the Department of 209  
22 Central Management Services; 210

23 (2) the chief internal auditor of the Office of the 212  
24 State Comptroller; 213

25 (3) the chief internal auditor of the Office of the 215  
26 Secretary of State; 216

27 (4) the chief internal auditor of the Office of the 218  
28 State Treasurer; 219

29 (5) the chief internal auditor of the Office of the 221  
30 Attorney General; and 222

31 (6) 6 chief internal auditors appointed by the 225  
32 Governor.

33 At least one of the members appointed by the Governor must be 228  
34 an employee of a State college or university or university 229  
35 governing board.

1           (c) The initial appointments by the Governor of the 6           232  
2           chief internal auditors who shall be members of the Board           233  
3           shall be made before the next February 1 after the date this           234  
4           Act takes effect and shall be as follows: 2 appointments for           235  
5           three-year terms, 2 appointments for two-year terms, and 2           237  
6           appointments for one-year terms. After the initial terms           238  
7           each member appointed by the Governor shall serve a           239  
8           three-year term.

9           (d) A vacancy shall exist whenever a member ceases to be           242  
10          employed in the position which qualified the member for           243  
11          appointment. Vacancies shall be filled in the same manner as           244  
12          the original appointment. Persons appointed to fill a           245  
13          vacancy shall serve the balance of the unexpired term.

14          (e) The Board shall select a chairman from its members,           247  
15          who shall serve for a one-year term as chairman. Board           248  
16          members shall receive no additional compensation for their           249  
17          services, but shall be reimbursed by their employing agency           250  
18          for expenses necessarily incurred in the performance of their           251  
19          duties as Board members.

20          (f) The Board shall be responsible for:           253

21               (1) promulgating a uniform set of professional           255  
22               standards and a code of ethics (based on the standards           256  
23               and ethics of the Institute of Internal Auditors, the           257  
24               General Accounting Office, and other professional           258  
25               standards as applicable) to which all State internal           259  
26               auditors must adhere;

27               (2) serving as a clearinghouse for the correlation           261  
28               of internal audit training needs and training designed to           262  
29               meet those needs; and           263

30               (3) coordinating peer review activities among the           266  
31               State's internal audit units.

32                       ARTICLE 3. FISCAL CONTROLS.           268

33           Section 3001. Internal controls required. All State           270  
34           agencies shall establish and maintain a system, or systems,           272  
35           of internal fiscal and administrative controls, which shall           273

1 provide assurance that: 274

2 (1) resources are utilized efficiently, effectively, 276

3 and in compliance with applicable law; 277

4 (2) obligations and costs are in compliance with 280

5 applicable law;

6 (3) funds, property, and other assets and resources 282

7 are safeguarded against waste, loss, unauthorized use, 283

8 and misappropriation; 284

9 (4) revenues, expenditures, and transfers of assets, 286

10 resources, or funds applicable to operations are properly 288

11 recorded and accounted for to permit the preparation of 289

12 accounts and reliable financial and statistical reports

13 and to maintain accountability over the State's 290

14 resources; and

15 (5) funds held outside the State Treasury are 292

16 managed, used, and obtained in strict accordance with the 293

17 terms of their enabling authorities and that no 294

18 unauthorized funds exist. 295

19 Section 3002. Certification guidelines for chief 298

20 executive officers.

21 (a) By the next March 1 after the date this Act takes 300

22 effect, the Comptroller, in consultation with the Director of 301

23 Central Management Services, shall establish guidelines for: 303

24 (1) the evaluation by State agencies of their 305

25 systems of internal fiscal and administrative controls to 306

26 determine whether the systems comply with the 307

27 requirements of Section 3001; and

28 (2) the certification by chief executive officers 310

29 required by Section 3003.

30 (b) The guidelines must be approved by the Legislative 312

31 Audit Commission and may be modified, as needed, with the 314

32 Commission's approval.

33 Section 3003. Certification by chief executive officers. 317

34 (a) By May 1 of each year, each chief executive officer 319

35 of all State agencies shall, on the basis of an evaluation 321

1 conducted in accordance with guidelines established under 322  
2 Section 3002, prepare and transmit to the Auditor General a  
3 certification that: 323  
4 (1) the systems of internal fiscal and 326  
5 administrative controls of the State agency fully comply 327  
6 with the requirements of this Act; or 328  
7 (2) the systems of internal fiscal and 331  
8 administrative controls of the State agency do not fully 332  
9 comply with the requirements of this Act. 333  
10 (b) If the systems do not fully comply with the 336  
11 requirements of this Act, the certification shall include a 337  
12 report describing any material weaknesses in the systems of 338  
13 internal fiscal and administrative controls and the plans and 339  
14 schedule for correcting the weaknesses, or a statement of the  
15 reasons why the weaknesses cannot be corrected. 340  
16 Section 3004. The Supreme Court will establish by its 342  
17 rulemaking authority or by administrative order procedures to 343  
18 annually assess the adequacy of internal controls for 344  
19 State-funded activities of the judicial branch, using 345  
20 procedures consistent with the intent of this Article.  
21 ARTICLE 4. REPEALER. 347  
(Ch. 127, rep. pars. 136.1 through 136.5) 349  
22 Section 4001. The Internal Auditing Act, approved August 351  
23 11, 1967, as amended, is repealed. 352