

August 11, 1998

The regular meeting of the State Internal Audit Advisory Board was held on August 11, 1998, at the Illinois State Museum Collection Center, Springfield, Illinois. Chairman Mike Moody called the meeting to order at 9:30 a.m.

Members Present:

Mike Moody, Chairman - Office of the Comptroller
Nancy Hilger, Vice Chairman - Department of Commerce & Community Affairs
Stan Brown - Office of the Treasurer
John Cain - Office of the Secretary of State
Bill Coons - Department of Professional Regulation
Jim Reid - Office of the Attorney General
Bob Schwarz - Department of Central Management Services
Dick Traver - University of Illinois

Members Absent:

Brad Hammond - Department of Natural Resources
Ben Zemaitis - Department of Revenue

Minutes:

Mike Moody asked if there were any corrections or changes to the July minutes. Bob Schwarz moved to accept the minutes of the July 14, 1998 Advisory Board meeting. Bill Coons seconded the motion. All were in favor and no opposed.

Old Business:

Peer Review

Mike Moody stated that he received a call from Brad Hammond acknowledging that Brad has the list of teams for the peer reviews and will be presenting the list to the executive committee to look over and then the teams will be given to the chief auditors of the agencies. Mike said he has written the letter that will go to the agencies not participating in the Board's peer review program and that he would be glad to receive any comments the Board might have regarding the letter. (A copy of the letter was distributed to those members present.) Mike Moody stated that the letter would go to the agency's CEO and a copy to the Chief Internal Auditor from that shop. Mike said that, if there weren't any comments, he would go ahead and get the letter out to the following agencies: Chicago State University, Department of Transportation, Environmental Protection Agency, Governors State University, Historic Preservation Agency, Illinois Commerce Commission and the Illinois Racing Board.

Mike Moody stated that the Department of Transportation had a peer review in 1994 and EPA had one in 1997/98 that is currently in the review stages. Bob Schwarz said he presumed the Board would send the letter to the agencies on an annual basis. Bill Coons suggested not sending the letter to the Department of Transportation and EPA since they are in compliance. Mike said the other point is that, they are not participating in the Board's peer review program and we are letting the agency head know that they are not participating in the program. Dick Traver said that, if the Board defines participating as those agencies that submit a copy of the report to the Board, then he would consider the agency as participating. They are meeting all of the Board's requirements and meeting their professional standards. The agency would submit the report to the Board, and if the Board has a question, then let them know. Mike Moody said what has occurred up to this time is that the Board hasn't taken steps to recognize this (a review by some other organization). It was never brought up whether the agency was prepared to provide the Board with a copy of their report for the Board's review.

Nancy Hilger suggested sending a different letter to the Department of Transportation. She asked if the Board got a copy of their report. Bill Coon's response was, yes. Nancy said that she would recommend that the Board take EPA and the Department of Transportation off of the list. Bob Schwarz seconded that suggestion.

Bob Schwarz had one clarification on the letter and that was whether the external report referred to in the standards was to be given to the Board. Bill Coons' response was yes, if the agency wants to be in compliance. If they have another entity do the review, they are in compliance. If the Board doesn't receive the report, then we have to say the agency did not have a review and are not in compliance. At the end of the year, the Board should send notice to the Legislative Audit Commission. Mike Moody noted that when the Auditor General's Office does the agency audit, they should go to the agency and ask if the review was done through the Board's peer review process or their own organization rather than the Board sending a letter. Bob Schwarz asked if it was the agency's responsibility to send a report to the Board (if the review is done outside of the Board's process). Dick Traver said if the agency is not participating in the Board's peer review process, they should then send their report to us. The Auditor General could ask the Board who is participating in peer review. Jim Reid quoted the bylaws saying that "Audit Organizations who have been subject of some other internal audit professional association's formal peer review process will receive special consideration by the Performance Committee's assigned Review Team. A sincere effort shall be made by this Program not to duplicate the peer review efforts of other organizations (subject to the availability of signed work papers)." Mike Moody added, if the agency has a peer review done by an outside resource and they provide the Board with a copy of the review, then the Board would not send them this letter. Mike stated that prior to sending out the agency CEO letter, a letter should be sent out to non-participants in the program saying that the Board will accept a copy of the of the agency's external review for consideration.

Dick Traver made a motion that if an agency is not participating in peer review through our resources and the agency has a review performed by an outside entity and the Board accepts the report, then that agency is considered a participant in peer review and no letter is sent.

Bob Schwarz seconded the motion. All were in favor and no opposed.

Mike Moody said that John Cain asked whether or not you have to be a college graduate to perform a peer review. Mike noted that Brad Hammond had indicated that this issue has been discussed. John Cain said that at one time this was a requirement. Bill Coons thought the individual performing the review had to be a chief auditor or supervisor. Dick Traver stated that he didn't remember they had to be a college graduate. Bill said he thought the Board left it that, if the chief auditor feels they are qualified, then it's ok.

Other Old Business

Nancy Hilger reported that she received a set of minutes from Jack Schoonover and is moving along with creating a database as to who past presidents have been and who has served on the Board. Nancy didn't know if she would have that information available by the next meeting.

New Business:

Governor Appointments

Mike Moody informed the Board that February 1, 1998 Ben Zemaitis and Dick Traver's appointments expired. Bob Schwarz said the Board was going to make a recommendation to reappoint Ben and Dick. Mike said that the Board also needs to replace Jack Schoonover. Mike indicated that he would like to have a recommendation at this meeting, but if the Board cannot do that today, he will go ahead and get a letter to the Governor regarding Ben's and Dick's reappointment. Mike stated that it wasn't required that a new member be from the universities. Nancy Hilger said she thought it needed to be someone from a coded agency.

Mike Moody presented two names that had been recommended: Mark Krell and Fred Lehrman. Fred has attended a number of meetings and on the peer review process. Mark Krell is the head of the internal auditors group. (Mike Moody read the list of Chief Internal Auditors that could be considered.) Bill Schwarz commented that some of the names that were read that said they would not participate in the program should be excluded. Dick Traver said he thought the two names suggested were fine. The only other two suggestions he said he might have were Sharon Downen, Chief Internal Auditor at Northern Illinois University or Barry Goldberg at Southern Illinois University School of Medicine. However, Dick agreed to the two names suggested if they are interested. Mike Moody indicated that he had not heard if they were interested.

Bill Coons made a motion that Mike Moody contact Mark Krell and Fred Lehrman to see if they are interested and if both are interested, he suggested Mark and then Fred. Mike stated that we are talking small shops verses big shops, Springfield verses Chicago. Bill restated the motion to be that the Board approve Mark Krell if he is interested and if not, then Fred Lehrman. Nancy Hilger seconded the motion. All were in favor and no opposed.

Announcements:

Bob Schwarz informed the Board that CISSP, Certified Information Systems Security Professional, is going to offer a 10-day course through Lincoln Land Community College, Springfield, in October. The cost is \$1600 and participants could then be prepared for the CISSP

exam. Bob asked if it was okay with the Board to submit a list of all of the audit managers for the mailing of this information. The members of the Board agreed to submit the list.

Mike Moody passed out copies of the brochure for the State and Local Government Conference. Registration fees are \$295 and the Springfield Hilton is offering rates of \$50. Mike commented that he hopes the conference will be a smashing success.

Mike Moody stated that at this time there are about 30 people signed up for the peer review training. Stan Brown indicated that he wanted on the list for the training.

Next Meeting:

The next meeting is scheduled for September 8, 1998 at 9:30 a.m. at the Illinois State Museum Collection Center, Springfield, Illinois.

Adjournment:

A motion to adjourn the meeting was made by Bob Schwarz. Bill Coons seconded the motion. The meeting was adjourned at 10:04 a.m.