

February 9, 1999

The regular monthly meeting of the State Internal Audit Advisory Board was held on February 9, 1999, at the Illinois State Museum Collection Center, Springfield, Illinois. Acting Chair Nancy Hilger called the meeting to order at 9:30 a.m.

Members Present:

Nancy J. Hilger - Acting Chair- Department of Commerce and Community Affairs
Richard E. Traver - University of Illinois
Bradley W. Hammond - Department of Natural Resources
Robert Schwarz - Department of Central Management Services
Benedict R. Zemaitis - Department of Revenue
C. William Coons - Department of Professional Regulation
James S. Reid - Office of the Attorney General
Stan Brown - Office of the Comptroller
John L. Cain - Office of the Secretary of State

Members Absent:

None

Minutes:

The minutes from the December 18, 1998 and January 12, 1999 minutes were reviewed by the Board prior to this meeting. A motion was made by Ben Zemaitis to accept both sets of minutes. This motion was seconded by Dick Traver. All were in favor. No were opposed.

Old Business:

Peer Review

Brad Hammond stated that we now have 48 agencies wanting to participate in the program. Before the next meeting, Brad will set up a schedule for the next 5 years and also stated that approximately 10 would have to be performed each year to stay on schedule. Nancy Hilger requested that Brad check the list to see if Teachers Retirement was on the list. If they were not, they would need to be added, bringing the current total to 49 agencies wanting to participate.

Nancy Hilger stated that the Board had tabled the summary until they could discuss the procedures for the two committees and hopefully have a presentation for the March meeting.

New Business:

Nomination Committee

Nancy Hilger stated that she felt that since Mike Moody had been removed as Chair, and since she was Acting Chair, she was unsure how the upcoming election of Chair and Vice-Chair should be handled. Possibly a nominating committee should be named. Ben Zemaitis stated that the Board should delay nominating the replacement Chairperson and Vice Chairperson until next month's meeting. Ben also stated that the nominations and votes should be taken at the same meeting. March is traditionally when new elections are made.

It was agreed by all present that nominations and elections would take place at the March meeting.

John Cain stated that this will be the last meeting he will be attending. He will be retiring prior to next month's meeting..

Peer Review: "Materiality" "Reportable Conditions"

Nancy Hilger stated that some issues arose while performing EPA's peer review regarding a definition of "materiality" and "reportable conditions" as detailed in Mike Moody's letter to Board members. The bylaws state that "material findings" would be reported, but what is "material." An open discussion was held.

Ben Zemaitis stated that the Board needs to go back to when the peer reviews process started. One of the major decisions the Board had to make was whether or not the peer review team should give a general conclusion whether they complied with FCIAA and with the Standards. The Board decided at that time that this was not what the peer review process was about. The idea was that the peer review team was going to perform the peer review and identify items that are being followed in accordance to what FCIAA, the Standards or best practices mandate. The peer review team was going to report what they found to the Audit Director and give them an opportunity to make their own evaluation of significance. At that time, the decision was made that what is to be reported or not reported was going to be determined by the review team, not this Board. If this Board feels this should be changed, we should discuss.

Brad Hammond stated that we need to have some consistency.

Bill Coons stated that if there is a violation of the Standards or FCIAA, this is something that has to be reported. Also, the team had the latitude of making suggestions of a better way to solve a problem.

Nancy Hilger stated that giving guidance to the peer review teams is what we need to do as a Board.

Ben Zemaitis stated that he had a problem with the peer review process, not with what the peer review teams were doing. Something that is turned over to the Report Acceptance Committee a

year ago, and is not given to the Executive Committee until a month ago, is unacceptable. Why did the Review Committee not talk to the team leader before they passed this report onto the Executive Committee? Now this is being brought to this Board for some discussion.

Ben Zemaitis made a motion that this Board direct the appropriate committees to go back and try to resolve this problem.

Bill Coons seconded this motion, with a comment. He does know there was a time that this Board had a problem with the Report Acceptable Committee getting people on it. He feels that the Report Acceptance Committee, if there is an issue, should resolve it as quickly as possible, and if it is something that is not going to be resolved, they should prepare something to the Report Acceptance Committee.

Brad Hammond stated that a motion had been made for the Report Acceptance Committee to meet with the members of the peer review team and the peer reviewee to try to resolve this situation.

The original motion was made by Ben Zemaitis that the Report Acceptance Committee meet with the two parties whenever there is a disagreement. The head of the team should contact the Report Acceptance Committee. This Board has also got to insure that the team leader is aware that if there is a disagreement, they need to contact the Report Acceptance Committee, send everything over, and state there is a disagreement. The Report Acceptance Committee should produce a recommendation.

An earlier motion was made and seconded (see above). All were in favor and no were opposed.

DCCA's Peer Review

Ben Zemaitis asked that everyone refer to Mike Moody's letter regarding DCCA's peer review. Ben stated that last summer he was appointed to be a member of the Executive Committee in Mr. Moody's absence. In that capacity, he received DCCA's workpapers from Bob Schwarz and Jack Schoonover. There were notes/questions attached. Ben reviewed the package and had a number of questions regarding the review. Mike Moody returned to his current capacity. Therefore, Ben turned over the review to Mike with written comments with specific concerns. Some of those concerns Ben had were reportable items which were not included in the review. Mike's letter of 1/27/99 stated that the Executive Committee accepted the review. Ben does not agree with this decision. The question that he would have raised is that if this Board had a disagreement among the executive committee members, what is the process, because his determination was made in an official capacity. Therefore, we have members with different conclusions.

Dick Traver stated that this should have been brought to this Board and discussed.

Ben Zemaitis stated that he wanted to go on record that the report should not have been issued. Dick Traver stated that the Chairperson cannot make this decision. It must come from the Executive Committee or this Board. Now if the chairperson is speaking for the Executive Committee, the chairperson can certainly do that.

Ben stated that he feels that he was speaking for the Executive Committee when he made his call to Mike Moody regarding DCCA's peer review report.

Dick Traver stated that it is this Board's responsibility to see the report and discuss any conflict before the report is issued.

Announcements:

None

Next Meeting:

The next meeting will be held March 9, 1999 at 9:30 a.m. at the regular meeting room at the Illinois State Museum Collection Center, Springfield, Illinois.

Adjournment:

A motion to adjourn the meeting was made by Bill Coons and seconded by Dick Traver. The meeting was adjourned at 10:40 a.m.