

January 11, 2000

The regular monthly meeting of the State Internal Audit Advisory Board was held on January 11, 2000, at the Illinois Department of Corrections, Springfield, Illinois. Chair Nancy Hilger called the meeting to order at 9:30 a.m.

Members Present:

Nancy J. Hilger - Chair- Department of Commerce and Community Affairs
Bradley W. Hammond - Department of Natural Resources
James S. Reid - Office of the Attorney General
Robert Schwarz - Vice Chair - Department of Central Management Services
Richard O. Traver - University of Illinois
C. William Coons - Department of Professional Regulation

Guest: Fred Lehrman

Members Absent:

Barbara Ringler - Office of the Treasurer
Stan Brown - Office of the Comptroller
Al DiSilvestro - IL Secretary of State

Minutes:

The minutes from the November 9, 1999 meeting were reviewed by the Board prior to this meeting. A motion was made by Bob Schwarz to accept the minutes. This motion was seconded by Bill Coons. All were in favor. No were opposed.

Old Business:

None

New Business:

Peer Review Update

Brad Hammond provided examples of letters he will be sending out regarding an upcoming peer review. Previously, these letters would have been sent to the peer review team member. Now, they are being sent to the peer review team members' audit manager(s), with a copy to the peer review team member, and the peer reviewee. The peer review team leader receives a copy of the memo that is sent to the audit manager for the peer review team member.

Brad has included in this memo that this Board is now requiring peer review team members to complete the on-line peer review training.

When he began to call auditors in 1999 to participate on peer review teams, several of them inquired whether they could delay their on-line training until 2000 since they already had their CPD hours met for 1999. Brad agreed. The on-line training is worth 8 hours of CPD. CPD hours are also being granted for performing on-site reviews. Brad stated that a statement will be added to these letters that when he actually issues the CPD hours for on-site reviews, the peer review team members must check with their professional organizations to verify that these CPD hours count towards their certifications. The Internet-based training will definitely count. Working on a peer review will count towards the IIA requirements in the participation category, but a member can only use so many hours in that category.

Chair Hilger inquired whether the peer review teams are allowed only to review on site, or can they bring documentation back to their office for review. Brad Hammond replied that this Board agreed to only reviews conducted on site. The team leader, however, is allowed to use some discretion.

Brad Hammond stated that the Chief Auditor at Financial Institutions has taken another job. They were scheduled for a peer review this year. Since this is a one-person audit shop, this leaves no contact at this agency for the peer review team to work with. He asked who had the list of State agencies who were required to have an internal audit function. Bob Schwarz stated that he had this list and would check on Financial Institutions. If they are required, Brad will send a letter to the Director of Financial Institutions alerting him/her that a peer review is scheduled for their agency this year.

Chair Hilger suggested that Financial Institutions' peer review be delayed until 2001 due to this vacancy and also due to the fact that it might take some time to fill this vacancy. Brad Hammond agreed and will send a letter to their Director, with a copy to Chair Hilger, stating this, and also documenting the reason for the delay. Brad stated that all other peer review teams are set to go. Bill Coons made a motion to move Financial Institutions to 2001. Dick Traver seconded. All were in favor, and no were opposed.

Dick Traver stated that a member of his staff had some difficulty registering for the on-line training. Dick has researched this registration problem and developed a solution to this problem.

Brad Hammond provided an updated list to Dick Traver of the Internal Audit Managers within the State of Illinois so Dick could update the web site so that all correct names are represented.

Jim Reid stated that he has still not gotten his peer review report that was performed in 1997. Brad Hammond stated that this may be a mute issue since it so old. Jim would like to resurrect this report. Chair Hilger stated that someone should try to get these workpapers and issue this report. Brad Hammond will research Jim Reid's (Attorney General's Offices peer review and report back to this Board.

Chair Hilger inquired as to how many other outstanding reports there were currently. Brad Hammond stated that Eastern Illinois University is the only one he questioned whether it was issued or not. Chair Hilger will check her records to see if, and when, Eastern's report was issued.

Peer Review Training Update

Bill Coons and Jim Reid reviewed several sections of the on-line peer review document. A general discussion of concerns and solutions was held on each of the following topics:

- Review Team Minimum Professional Qualifications
- Workpapers Process and Retention
- Audit Director/Manager as Team Leader
- Peer Review Code of Ethics
- Adopting Standards of Practice
- Objectivity
- Continuing Education (Human Relations and Communication Skills)
- Continuing Education (Requirements)
- Policy vs. Standards/Guidelines
- Interface During Audit Process
- Timely Issuance of Audit Reports
- Resolution of Disagreement Between Auditors and Auditees
- Peer Review Field Work
- Annual EDP Plan in Accordance with FCIAA
- Summary of Findings at Exit Conference

A general discussion was held regarding peer review team disagreements. Bill Coons felt it would be advisable to give something of a process of how to handle a disagreement within the team. Chair Hilger stated she felt any disagreements within the team should be brought to the Performance Committee for discussion and resolution. The Performance Committee would then report these situations and resolutions to this Board. All members present agreed. The auditee peer review appeal process was discussed. Chair Hilger stated that the on-line training instrument should address what is a reportable condition and what should be taken to the auditee's director. Bill Coons feels that anything that is in violation of the IIA Standards, FCIAA, statute laws, or ethics should be considered a reportable condition. Chair Hilger stated this has been a gray for peer review teams in the past. She also stated that reporting format (how detailed) has also been a gray area. Brad Hammond stated that the Performance Committee would like the reports to be as concise as possible. Chair Hilger suggested that guidance should be added to the training instrument. Chair Hilger reminded everyone that the peer review team leaders report to the Performance Committee, not his/her Audit Manager(s) (confidentiality). Chair Hilger thanked Bill Coons and Jim Reid for taking the time to review this new on-line training instrument and bringing their concerns to this Board for discussion/resolution.

Status of Appointments to Board

Chair Hilger reported that Mr. Al DiSilvestro has been appointed to Chief Auditor at the Secretary of State. She spoke to him earlier to inform him of his appointment to this Board and also this Board's purpose and responsibilities. Chair Hilger had DCCA legislative staff check with the Governor's Office on the status of the other Board appointments, and they are still pending. In March, 2000, there will be two additional vacancies on this Board (Nancy Hilger, Brad Hammond). She would like the Governor's Office to address all the past and present appointments to this Board. She will continue to try to get this information and report back to this Board.

The election of Chair and Vice Chair to this Board will take place at the February, 2000 meeting. The new officers will take effect at the March, 2000 meeting. (*Correction: The actual election will take place at the March, 2000 meeting, with new officers taking effect at the April, 2000 meeting.*)

A new location for future meetings was discussed. Bob Schwarz and Brad Hammond will see if they can locate an alternative meeting location and report back to this Board.

Status of Statewide Audit Managers Meeting

Bob Schwarz reported that he has been talking to Audit Managers around the State regarding this upcoming meeting. He is hopeful to have this meeting in March, 2000. Brad Hammond provided flyers to Bob Schwarz of possible locations for this meeting.

Grant for Auditor Training

Bob Schwarz reported that the Governor is supporting a promotion to try to obtain Federal and outside money for the State of Illinois. He inquired whether this Board knew of any way they could receive a grant for training auditors to be more technically conversant. This Board will give this some thought and report any suggestions at the next meeting.

IIA Petition

Bob Schwarz inquired whether this Board was going to take any position regarding the IIA petition that has been circulated recently. This petition is in regards to hiring outside practitioners to conduct internal audits. Brad Hammond felt that the local IIA chapter and the State Internal Audit Managers Group should address this petition, not this Board. Bill Coons made a motion this Board contact the IIA and/or the State Internal Auditor Managers Group to inquire whether they would address this petition. Brad Hammond seconded. All were in favor and no opposed. Chair Hilger volunteered to contact the IIA local chapter and report back at next month's meeting.

Announcements:

Brad Hammond thanked this entire board for their condolences, cards, flowers, memorials, etc. in regards to the loss of his mother and father last month.

Brad Hammond stated that The Governor's Office of Statewide Performance Reviews is beginning to get into activity based costs.

Bill Coons informed this Board that the OAG is looking closely at each agency's "service efforts and accomplishments" each agency's fiscal divisions file with their GAP package.

Next Meeting:

The next meeting will be held February 8, 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 Bill Coons and seconded by Brad Hammond. The meeting was adjourned at 11:05 a.m.