

**November 14, 2000**

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The regular monthly meeting of the State Internal Audit Advisory Board was held on November 14, 2000, at the Capital City Center, Springfield, Illinois. The meeting was called to order by Chair Robert Schwarz at 9:30 A.M.

**Members Present:**

Robert Schwarz - Chair - Department of Central Management Services  
Barbara Ringler - Vice-Chair - Office of the Treasurer  
James S. Reid - Office of the Attorney General  
Carole Kraus - Office of the Comptroller  
Al DiSilvestro - IL Secretary of State  
Lesslie D. Morgan - Department of Insurance  
Richard E. Traver - University of Illinois  
Nancy J. Hilger - Department of Agriculture  
Stephen D. Kirk - Capital Development Board  
Bradley W. Hammond - Department of Natural Resources

**Guests**

Jane Locassio - Teachers' Retirement  
Jeff Derrick - Guardianship & Advocacy Committee

**Members Absent:**

C. William Coons - Department of Professional Regulation

**Minutes:**

The Board reviewed the minutes from the September 12, 2000 meeting. A motion was made by Mr. Hammond to accept the minutes. Ms. Morgan seconded this motion. All were in favor. None opposed.

**Handouts**

- Fiscal Control and Internal Auditing Act (FCIAA).
  - Draft copy of letter to Jane Stricklin, Executive Director of the Legislative Audit Commission.
  - Copy of letter to the Boards and Commissions Office.
  - Copy of revision to FCIAA email.
- Audit Managers Conferences Survey Results Comparison.

## **Old Business:**

### **Conference Survey Results**

The Conference Surveys Results Comparison was given to the Board members to review and to serve as a guide for future IA Managers Conferences.

### **Proposed FCIAA Revisions**

After reviewing a copy of the proposed FCIAA revisions, the floor was opened for discussion. Highlights of that discussion are:

- Mr. Traver: "Need to reevaluate risk each year and use that as a basis for audit plan."
- Mr. Hammond: "When Mr. Schwarz and Mr. Hammond met with Office of the Auditor General's Mr. Loobey and Mr. Bullard about the FCIAA revisions, they requested that we keep the annual certification process."
- Mr. DiSilvestro: "What impact will there be if we vote to eliminate the timeframe? Consider this when voting."
- Mr. Kirk: "Some people feel that if we don't have a time frame there will be objections to the language. Others feel, you can't have a risk-based approach with a time frame."

*"It is clear from the meeting at Eagle Creek that the majority of the Audit Managers want a risk-based approach. The argument before us therefore is not do we want a risk-based approach. The argument is do we want to include a time frame? If we can clearly explain to legislators our point, that eliminating the time frame does not weaken the act because the risk-based approach strengthens it, then we must recognize the mandate given to us at the Eagle Creek meeting that we move forward to a risk-based approach. Do not lose site of the fact that we represent the Audit Managers."*

The Chief Internal Auditors suggested the following changes after reviewing the initial document:

#### **ARTICLE 2. INTERNAL AUDITING**

(30 ILCS 10/2003)

(2) Audits of major systems of internal accounting and administrative control determined by a risk-based approach. The audits must include testing of:

- (A) the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether these activities are in accordance with applicable laws and regulations; and

- (B) grants received or made by the designated State agency to determine that the grants are monitored, administrated, and accounted for in accordance with applicable laws and regulations.

(30 ILCS 10/2005)

Sec. 2005. Internal Audit Advisory Board.

(f) The Board shall be responsible for:

- (1) promulgating a uniform set of professional standards and a code of ethics (based on the standards and ethics of the Institute of Internal Auditors, the General Accounting Office, and other professional standards as applicable) to which all State internal auditors must adhere;
- (2) Assist State Internal Auditing Departments to conduct independent reviews.

The Board agreed upon the following:

#### ARTICLE 2. INTERNAL AUDITING

(30 ILCS 10/2003)

(2) Audits of major systems of internal accounting and administrative control determined by a risk-based approach to insure appropriate coverage is given to those areas which pose the highest levels of risk.

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(30 ILCS 10/2005)

Sec. 2005. Internal Audit Advisory Board.

(f) The Board shall be responsible for:

- (1) promulgating a uniform set of professional standards and a code of ethics (based on the standards and ethics of the Institute of Internal Auditors, the General Accounting Office, and other professional standards as applicable) to which all State internal auditors must adhere;
- (2) Assist State Agencies to obtain independent reviews of the Internal Audit Department.

The changes proposed by the Board will be sent to the Internal Audit Managers for review and comments

## **Peer Review**

Mr. Hammond is reestablishing the Peer Review teams.

The Report Acceptance Committee submitted the Peer Review Reports for Student Assistance Committee, Veterans' Affairs, and Corrections to the Chair to sign and issue.

## **New Business:**

### **Board Membership Recommendations to Governor**

The following names were nominated for consideration to the Board:

Re-appointment - Lesslie Morgan/Department of Insurance

New Appointment - Kathleen Moreno/Eastern Illinois University

New Appointment - John Meehan/Chicago State University

The board voted unanimously to recommend Lesslie Morgan and Kathleen Moreno to the Governor for appointment to the Board.

## **Announcements:**

Mr. Hammond told the Board that talks are ongoing with the Governor's Office in regards to the verification of Performance Measures. An Executive Order is being considered.

## **Next Meeting:**

The next meeting will be December 12, 2000, at 9:30 A.M. at the Capital City Center, 130 W. Mason, Springfield, Illinois, in Room 103.

## **Adjournment:**

A motion to adjourn was made by Mr. Traver and seconded by Mr. DiSilvestro. All were in favor. None were opposed. The meeting was adjourned at 11:55 A.M.