

**July 10, 2001**

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A regular meeting of the State Internal Audit Advisory Board was held on July 10, 2001 at the Capital City Center, Springfield, Illinois. The meeting was called to order by Chair Barbara Ringler at 10:00 A.M.

**Members Present:**

Barbara Ringler - Vice-Chair - Office of the Treasurer  
Stephen D. Kirk - Capital Development Board  
Robert Schwarz - Chair - Department of Central Management Services  
Lesslie D. Morgan - Vice-Chair - Department of Insurance  
Carol Kraus - Office of the Comptroller  
Al DiSilvestro - IL Secretary of State  
Bradley W. Hammond - Department of Natural Resources  
Dick Traver - University of Illinois/Urbana

**Members Absent:**

James S. Reid - Office of the Attorney General  
C. William Coons - Department of Professional Regulation  
Nancy J. Hilger - Department of Agriculture  
Kathleen Moreno - Eastern Illinois University (Pending Appointment)

**Minutes:**

The Board reviewed the minutes from the June 12, 2001 meeting. A motion was made by Mr. Schwarz and seconded by Ms. Morgan to accept the minutes. All approved the motion.

**Old Business:**

**Peer Review**

Mr. Hammond stated that he had several questions that came up about Peer Review after the Internal Audit Manager's Meeting on June 13, 2001.

- 1) Mr. Hammond questioned if the "conducted in accordance with Standards" phrase can continue to be placed in Internal Audit reports. The new Standards, effective January 1, 2002 require a quality assurance review of the Internal Audit function within the last five years. The Board concluded that the "Standards" phrase could be used as long as the Peer Review will be done within five years from January 1, 2001 as required.

- 2) Mr. Hammond stated that the training program would need to be changed to reflect the new standards. The current Peer Reviews will be conducted with existing Standards, but those conducted in CY02 will use the new Standards. Mr. Traver suggested including a notice in the Peer Review training notifying everyone that the Standards will be changing in a year, and to realize there will be transition issues.
- 3) Mr. Hammond asked if the Peer Review process requires the CEO be interviewed. The Board concluded that the interview should be conducted with the CEO/Director, but that it could be conducted after the Peer Review fieldwork has ended, if necessary.

Mr. Hammond indicated that several people have scheduled Peer Review training sessions and several people have passed.

Chair Ringler asked for clarification regarding scheduling the Peer Reviews vs. reviewing the work papers. Ms. Morgan suggested the Board monitor the scheduling of Peer Reviews for the agencies. Mr. Kirk suggested the Board approve and maintain a list of qualified reviewers. Ms. Kraus stated that she was involved with the OAG, and they had stated that it is the Board's responsibility to insure Peer Reviews are completed, and if there is a finding it should be on the Board (not the agency). Ms. Morgan and Mr. Kirk suggested the Board have a monitoring mechanism in place to avoid conflict of interest. Mr. Traver suggested that a rule be in place that if more than one person is on a team, they should come from different agencies. Chair Ringler asked the Board the following questions:

1. Should the individual audit shops obtain their own Peer Review team with the Board approving the team?
2. Should the team come from different agencies (if more than one person)?
3. Or, leave the statute the way it is (the Board would coordinate the Peer Reviews)?

The Board concluded the following, and the Peer Review by-laws will be updated:

The Board will maintain a listing of qualified reviewers.

The Board will assist in finding a Peer Review team

The Peer Review team must be approved by the Board prior to beginning the Review.

The Board will review the work papers.

Chair Ringler stated that the amendments to the Peer Review by-laws would be voted on in November after the October Retreat.

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

Mr. Schwarz reported the appointments of the Board nominees are on the agenda for the next meeting of the Boards and Commissions.

## **Retreat Discussion**

The retreat will be held October 11-12, 2001. The registration fee will be \$80.00 for the 2 days and lodging will be \$50.00 per night (State rate). Mr. Schwarz made a motion to have the IIA sponsor the retreat, Ms. Morgan seconded. Motion carried unanimously.

Mr. Schwarz announced that a profit of \$45.00 was made at the June 13, 2001 Internal Audit Manager's Meeting. Mr. Schwarz noted that these funds would be used at the October 11-12 retreat.

Chair Ringler stated that she is still looking for discussion topics for the Retreat. She stated that Mr. Schwarz had suggested a joint discussion on Risk Assessment to identify the important factors to be considered in Risk Assessment and to develop a common strategy. Ms. Morgan thought having uniformity in the process of assessing risk in each Internal Audit shop would be very helpful during the next audit cycle.

Ms. Kraus asked if the new IIA Standards were going to be adopted as of January 1, 2002. Chair Ringler announced that the Standards will be approved and adopted effective January 1, 2002.

Chair Ringler asked the Board for additional discussion topics to be considered for the Retreat. Mr. Schwarz suggested Risk Assessment Guidelines. Mr. Hammond suggested GASB 34, FCIAA, and Peer Review.

## **New Business:**

No new business was discussed.

## **Announcements:**

Dick Traver announced that the University of Illinois would be coordinating a two-day training session on November 1-2, 2001 at the Northfield Center in Springfield. The cost will be \$100.00 for the two-day training session. The November 1 sessions include a morning session of instruction regarding Performance Measurements, and the afternoon session will feature a speaker on Information Technology Auditing. On November 2, there will be two full-day tracks to choose from. One will be on Increasing Auditor Effectiveness in Recognizing and Detecting Fraud, presented by Courtenay M. Thompson, Jr., and the other is on Information Technology, presented by Larry Hubbard.

A Boards and Commissions membership data form was handed out to be completed by all Board members. The Office of the Governor is requesting this membership data on all board members serving the State of Illinois.

## **Next Meeting:**

The next meeting will be held on August 14, 2001, at **10:00 A.M.** at the Capital City Center, 130 W. Mason, Springfield, Illinois, in Room 103.

**Adjournment:**

A motion to adjourn was made by Mr. Kirk and seconded by Ms. Kraus. All were in favor. The meeting was adjourned at 11:15 A.M.