

June 11, 2002

A regular meeting of the State Internal Audit Advisory Board was held on June 11, 2002, at the Capital City Center, Springfield, Illinois. The meeting was called to order by Chair Lesslie Morgan at 2:00 P.M. Due to a lack of a quorum, the meeting was reconvened at 2:10 P.M. under Adopted Motion #18.

If a quorum is not present, the presiding Chairperson may reconvene the meeting after ten minutes from the appointed time, in order to conduct regular business. (October 9, 2001).

Members Present:

Lesslie D. Morgan - Chair - Department of Insurance
Stephen D. Kirk - Vice-Chair - Capital Development Board
Barbara Ringler - Office of the Treasurer
Carol Kraus - Office of the Comptroller
Nancy J. Hilger - Department of Agriculture
Kathleen Moreno - Eastern Illinois University*

*Arrived after the 10 minute waiting period had ended.

Members Absent:

Robert Schwarz - Department of Central Management Services
Bradley W. Hammond - Department of Natural Resources
James S. Reid - Office of the Attorney General
Al DiSilvestro - IL Secretary of State
C. William Coons - Department of Professional Regulation

Minutes:

The Board reviewed the minutes from the May 14, 2002 meeting. After corrections, a motion was made by Mr. Kirk and seconded by Ms. Kraus to accept the minutes. All approved the motion.

Old Business:

Peer Review

Chair Morgan reported that per the prior minutes, the Chairpersons of each committee will give updates at each Board meeting.

- Revise Peer Review Bylaws To Correlate With IIA Standards Committee. Chairperson - Brad Hammond

Due to illness, Chair Hammond was unable to attend the meeting. Chair Hammond reported via telephone to Chair Morgan that his Committee has reviewed by Bylaws, making changes, and have requested from Eduardo Mascorro the Bylaws as a Word document. Chair Hammond will make a presentation at the next Board meeting.

- Develop New Peer Review Program To Be Used By Teams Committee. Chairperson - Barb Ringler

Chair Ringler reported that the Committee met on June 10, 2002. The Committee has divided the Standards into sections and each Committee member is reviewing a portion to write a program. The Committee members will email their reviews to each other to eliminate any overlapping areas. The Committee will also review the Peer Review questionnaire.

- Revise Online Peer Review Training Committee. Chairperson - Lesslie Morgan

Chair Morgan reported that she and Sharon Downen of Northern Illinois University and Kathleen Moreno of Eastern Illinois University will review the online course to assess what areas will be impacted by the Committee. The Committee will be reviewing each section and determining where they will be making changes. Chair Morgan will be reviewing the Attribute Standards, Ms. Downen will be reviewing the Performance Standards thru 2200, and Ms. Moreno will be reviewing the Performance Standards 2300 thru 2600.

Two Committee members are not in Springfield thus the Committee will work by attachments and emails.

Spring Retreat Discussion

Chair Morgan reported that the results of the evaluations for the Managers' Conference on May 20-21, 2002 were overall good. The evaluation results are:

Audit Managers Conference (May 20-21, 2002)

4 Point Scale

Facilities:

Convenience	3.59
Monday Breakfast	3.29
Monday Networking	3.00
Tuesday Breakfast	3.35
Tuesday Lunch	2.35

Should we conduct another Internal Audit Conference? 15 Yes; 2 No

If yes:

How frequently? Quarterly - 0
2X/Year - 10
1X/Year - 4

What time of year? Fall -2
Spring - 3
Spring/Fall - 8
Spring/Fall/Winter - 1

How long should session last? 1 day - 0
1-1/2 days - 5
2 days - 9
2+ days - 0

Would you prefer another site? Yes - 6
No - 11

If yes, please suggest your preference(s) - This site will limit pm networking attendance.
- Eagle Creek or Starved Rock
- Move around
- One of the parks

Would you prefer another day(s) of the week? Yes - 6

No - 11

If yes, please circle your preference(s) Thursday/Friday - 4

Tuesday/Wednesday/Thursday - 1

Wednesday/Thursday - 1

What do you want the primary function or purpose of the Internal Audit Manager's Conferences to be?

- Continue to encourage IA managers to know what SIAAB is doing. Ask IA managers to recommend SIAAB candidates.
- Information concerning changes in State laws affecting Internal Audit.
- Address managerial issues.
- Address common issues - try to come up with action plans/solutions/ we could all benefit from each other/our input as a whole is worth more than our individual input.
- A chance to address and discuss issues we all face, get information on things we must address, especially new things, good agenda this year, address hot topics and concerns.
- Information security / computer technology.
- Discuss latest developments in auditing and government.
- Updates & merging issues, GASB 34, etc./what's new.
- What's happening in the state./ great mix of topics/ need CPE & networking.
- Discuss current audit issues & networking.

List presentation subjects you prefer?

- Similar to what we had, i.e. new things affecting IA & refresher on something we elieve we know, like travel regs. Brad Hammond's new inventory techniques.
- New IIA standards, practice advisories, topics presented at this conference were very interesting.
- Real life cases of fraud abuse/ laws, rules, regs - auditing of such (procurement)/ common issues, problems & ways to resolve.
- Internet security/ threats to dept resources/ threats internal & external.
- Audit planning, risk assessment, satisfying FCIAA, sample sizes.

Please provide specific suggestions on how the Internal Audit Manager's Conference can better meet your expectations.

- Networking- perhaps scheduling a more enticing activity during that period, i.e. special presentation, speaker, sneak preview movie (invite significant other), etc.
- Unsure if conferences are limited to Internal audit managers or is all IA staff invited.
- Define more specifically who should attend.
- Can't think of any at the time but was very impressed with institutes generosity in providing meals.
- Have a breakout session based on audit dept size that allows general discussion w/out having to complete worksheets. I learned several things during the breakout session and could have benefited from more time. I liked the long breaks to allow time to chat w/various people.

In summary, the two main issues were location that encourages P.M. networking and a better definition of who is invited to attend.

Peer Review

Ms. Kraus reported that:

- Board of Education - all issues had been resolved and the Board will be receiving the final report.
- State Universities Retirement System - Has been received.
- Western Illinois University - Has been received.

FCIAA

Chair Morgan reported she sent an email to the Audit Managers on May 22nd offering background information and a summary of the Board's progress on the FCIAA revisions, requesting comments by June 5th. Chair Morgan gave the Board copies of the comments to review.

After discussion the following wording was suggested by the Board:

10/2003 (2):

Audits of major systems of internal ~~accounting and administrative~~ controls ~~conducted on a periodic basis so that all major systems~~ are reviewed at least once every 2 years, as prioritized through a formal and documented annual entity-wide risk-based approach that ensures appropriate coverage is given to those areas which pose the highest levels of risk. ~~except for~~ The following areas are generally considered for most agencies to be high risk: Purchasing, Expenditure Control, Revenue Collection, and Property Control. Agencies will be required to substantiate not including one or more of these four high risk areas in their overall 2 year ~~annual~~ audit plan.

The last sentence of the proposed language was change to state: "Agencies will be required to substantiate not including one or more of these four high risk areas in their overall 2 year ~~annual~~ audit plan." The revision was made to clarify that the agency wide risk assessment should include more than just the four areas specified by the Office of the Auditor General in response to comments made by audit managers following the May Manager's Conference. The risk assessment must include all activities of the entire agency, including the four specified by the Auditor General.

A motion to accept the language as stated was made by Ms. Hilger and seconded by Ms. Ringler. All were in favor.

A motion to proceed with the language as proposed with the Auditor General's Office was made by Ms. Kraus seconded by Ms. Hilger. All were in favor.

New Business:

As a result of the survey of the board members on available meeting times, the Board meetings will be rescheduled to the second week of the month on Wednesdays at 10:00 A.M.

Announcements:

Chair Morgan announced that the Board needs to make a decision on Consulting Standards. Practice Advisory 1000.C1-1 and 1000.C1-2 was given to the Board members to review and discuss at next Board meeting.

Next Meeting:

The next meeting will be held on July 10, 2002, 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. Ringler. All were in favor. The meeting was adjourned at 3:35 P.M.